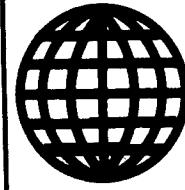


JPRS-EER-90-118  
17 AUGUST 1990



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# ***JPRS Report***

## **East Europe**

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# East Europe

JPRS-EER-90-118

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17 AUGUST 1990

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## HUNGARY

### Prime Minister Antall Shows Commitment, Guarded Optimism

90CH0259A Budapest MAGYAR NEMZET  
in Hungarian 6 Jun 90 p 5

[Interview with Prime Minister Jozsef Antall by Attila Kristof; place and date not given: "With Faith, Accepting Even the Risk of Failure"]

[Excerpt] [passage omitted]

[Kristof] Did you want to go through this trial? Did you desire power?

[Antall] The evening after the election I was not happy at all, because I knew what was waiting for me.

[Kristof] This is a case of sour grapes, only in reverse... Those who fail to achieve it probably consider it truly sweet...

[Antall] Perhaps.

[Kristof] I still feel that it is simpler to face heroic failure than torture oneself silently in solving the problem.

[Antall] The only thing I am interested in is a solution. After they elected me prime minister and I accepted the post, I tried to muster all my knowledge to build a coalition which will be able to take over the reins of government as a centrist body. I did not see any merit in a grand coalition (although that would have been more comfortable from the governing point of view) because I feel that it would be better if we Hungarians succeeded in developing a correct parliamentary system within a bipolar political life, complete with a responsible and constructive opposition. That, in fact, was what I was trying to achieve; forging a coalition and creating an operative National Assembly together with the opposition. After making pacts with the other parties of the coalition, our compromise with the SZDSZ [Association of Free Democrats] also served this purpose.

[Kristof] On that account, both the press and their most ardent followers harshly criticized both parties. Do you feel that this compromise served Hungary's interests?

[Antall] Yes. And this time chances are good that those interests will be realized... We can rely on the assistance of the West, and the Soviet Union will tolerate a political modus vivendi that suits us. Of course, Western support and Soviet tolerance both have their precise limits, which will represent the basic consideration for Hungary's foreign and economic policies. It is my opinion that if the preconditions of governing materialize, then we will be able to guide Hungary out of this crisis once and for all. I have so much faith in this that I even accept the risk of failure.

### A Precise Schedule

[Kristof] It is being said that the Soviet Union will tolerate Hungary's strive for independence up to a certain point. Where is the limit?

[Antall] The Soviet Union's political behavior is determined by its domestic situation, the personal political influence of Gorbachev and the success or failure of the entire reform process. I feel that if the Soviet Union proceeds along the present course of development, it will recognize that the people of Central and Eastern Europe will become independent and Soviet influence in the region will be reduced. What it would not accept, however, is the creation of a hostile zone along its borders. Obviously, the Soviet Union is thinking within a certain system of security. Hungary must conduct its political affairs in such a way that it could leave the Warsaw Pact Organization. This is a basic desire among the Hungarian people. However, this must be done through negotiations, within a European system of security, and with consideration for those factors that generally apply to the European and global balance of power. Nor can we ignore those fundamental contacts that still tie Hungary to the Soviet economy, energy reserves, raw materials and markets.

[Kristof] Did the Soviet Union show any gesture toward you and your government?

[Antall] Through Ambassador Stukhalin, the Soviet leaders repeatedly expressed their good will. We were also very politely treated by the soldiers, the commander of the South Army Group and others; conveying similar messages of good will. And now that we have been invited to the meeting of the Warsaw Pact's political leaders, obviously we will meet Gorbachev in person. I feel that it is in our national interest to keep negotiating with the Soviet Union in a friendly manner, even while we unequivocally set forth our fundamental interests, including those that relate to the precisely scheduled withdrawal of Soviet troops from Hungary, and the country's preparation for exit from the Warsaw Treaty Organization. We are compelled to proceed with this by the unified will of our people.

[Kristof] Earlier you said, "We could guide the country out of this crisis if the preconditions for governing materialize." What do you mean by this?

[Antall] This time we are not witnessing a simple change of government, but rather a political transformation of such dimensions that alters the structure of the government and the style of governing. A multiparty National Assembly came into being. Add to this the fact that the participants in today's political life, including also ministers or political secretaries of state, were all outside political parties during the recent decades. Aside from a few exceptions, the deputies were not members of the legislature during the previous parliamentary cycle. In other countries when the opposition comes to power, even if its members have no governing experience, at least they have a parliamentary routine. But here we are

witnessing a change of system in the course of which deputies entered the National Assembly without having had any previous political or civil service function, and no opposition traditions in the parliament. This, in itself, represents a tremendous change and a huge problem. Right now, even deputies who represent the governing party in the National Assembly have certain oppositionist reflexes. What they would prefer to do is to constantly attack the government; not because they consider it a bad government, but because they wish to stand up to authority. A centuries-old belief prevails in Hungary according to which it is a glorious thing to stand up to governments and offices of any kind, while it is shameful to serve established authority of any kind.

[Kristof] Such a belief and behavior are obviously the remnants of a sad past. That past reaches into the future, does not it...

[Antall] Indeed, it is impossible to put an end to the past... In any event, the only way this kind of a thorough transformation can be imagined is by ensuring the continuity of state administration. The principle of ministerial responsibility was in fact missing during the recent years. After the period of party instructions, we should reestablish actual government by ministers in Hungary. When we were discussing the modification of the constitution, I favored eliminating the post of deputy prime minister, because it conflicts with the principle of ministerial accountability. In addition to this, we now have to establish new local administration, and we are also facing the task of transforming local self-government, and preparing local elections. If we had nothing else to do but create a new administration and conduct the elections for local government, that would be a huge task in itself. Add to this the numerous problems of our economy. When a dictatorship falls and its place is taken by a parliamentary system, it is a great transformation, even if there is a well developed economic life in the private sphere.

We are also finding ourselves in an entirely new relationship with our neighbors. In other words, the dimensions of change are so great in Hungary that they can hardly be measured. If someone thought about all this too deeply, he would either feel a tremendous sense of responsibility, or else he would say that he is not crazy enough to become involved in such a game. On the other hand, someone has to take on these tasks, because it is unlikely that Hungary will once again have a similar historical chance. I can honestly say that this is not simply a change of political system; it is more like a transformation similar to what [the first Hungarian king], Saint Istvan implemented.

#### Who Is Responsible?

[Kristof] Fortunately, this transformation occurred peacefully, with no one having lead poured in their ears or being quartered...

[Antall] There are great advantages to a peaceful transformation: There is no bloodbath, and neither individuals nor material values are destroyed. At the same time, it has some psychological disadvantages, too. When a revolution takes place, certain people have to be losers and are likely to suffer their losses with dignity, while maintaining a sense of new beginning. In our instance, people resist having to lose anything. Having acquired something, no one wants to give up anything at all...

[Kristof] Evidently, people form their judgments on the basis of how their individual fates develops. Only a communist government could seriously hope that workers will "voluntarily" act against their own interests...

[Antall] I expect nothing like that. In any event, hope is not a political category. Analyzing the entire situation is extremely difficult. Let us add to this that as recently as two years ago a significant portion of Hungary's population (as they used to say, "the broad masses of society"), including also the intellectuals, viewed the activities of the opposition with a certain amount of indifference. Therefore, the power of the opposition movement was far from great. And now everyone is critical and skeptical, wondering why we do not have better experts, why we are not better prepared, and why there is not a larger staff at the disposal of the opposition's parties, which now make up the government. It is difficult to determine if this is the fault of the opposition, or if society did not accept the wave of renewal. What this means, however, is that today there is a government at the country's helm which (similarly to its parliamentary opposition) is not supported by professionals and political parties with well-developed infrastructures in the Western European sense. On the other hand, private alliances are still operating.

In Hungary it makes eminently good sense to talk about a peculiar, provincial version of the Eisenhower concept of a military-industrial complex, which can easily resist the efforts of the government. Major economic power is in the hands of interest groups that are not in favor of changes. In fact, during the process of privatizing state property these either acted as retrograde forces or pushed developments in the direction of uncontrollable privatization. In addition, another factor required for the normal operation of a society, a three-way relationship between the employees, the employers and the state, is completely distorted in Hungary... Missing are the professional politicians of a multiparty democracy, as well as the managerial layer of an operative market economy. It appears (and many of our Western negotiating partners refer to this) that financial proposals are not welcomed. This is why one of the government's decisions concerned the establishment of an information office that would act as an intermediary between Hungarian and foreign partners in promoting investments and projects. Regrettably, the government must become directly involved in this; we cannot say what numerous

Western countries like to repeat, that the economy is operating quite well because the state does not interfere with it....

#### The Power of the Press

[Kristof] There is not much of substance the MAGYAR NEMZET's associate can add to all this; so we will try to be humorous. Here goes: On top of everything else, there are the skeptics of the press...

[Antall] I consider it the greatest shortcoming of the round table discussions (and a fault shared by the entire opposition of the times) that we have not been able to include among the fundamental laws one that applies to public information and the press. We have similarly failed to come up with regulations concerning television or radio. And now, since we have no modern press) and media regulations suitable for a political democracy, we are witnessing the rise of tensions on issues where no tension should exist. We must develop a relationship in which political authority and government have a better sense concerning the function of the press, and where the press also finds its own role. In order for the press to really become the Fourth Estate, it must perform certain public service functions. This has nothing to do with any of the parties or with state authority; on the contrary, its special appeal is that the press should fulfill a role that applies to the entire society. I feel that it would be a cliche for me to say that I am entirely committed to the principle of freedom of the press. Of course I am; as long as this freedom is used without endangering the freedom and rights of others, and as long as it does not encroach on individual privacy and human dignity. I consider it a very important part of our transformation for the press to progress beyond its present role, at times resisting the reflexlike temptation to oppose. As for the partisan press, I do not feel that it will survive; and I hope that we can find opportunities for a certain nonpartisan modus vivendi in television and in radio. It would also be important to have good newspapers, as well as good journalists, because only a good quality journalism (in collaboration with communication and information) will be able to create public opinion that befits democracy.

[Kristof] Perhaps in an attempt to relax the tension after talking about the problems of domestic politics and economy, the MAGYAR NEMZET would like to hear about the government's foreign policy concepts.

[Antall] Our fundamental aim is to join a unified Europe. This has become somewhat of a cliche. This includes, as our first goal, gaining membership in the Council of Europe, to be followed by a bilateral association with the European Common Market (for which we have very good chances), after which in 1992 we would begin substantive negotiations about our joining the European Common Market which could take place during this decade. Closer to home, even though the Warsaw Pact's internal theses are upset and the CMEA [Council of Mutual Economic Assistance] is disbanding, a collaboration among the nations of the region remains

very important. One can visualize a coordination of Polish-Czechoslovak-Hungarian interests and the formulation of shared positions. Of course, that would not be an easy task.

#### From the Danube to the Adriatic

When President Havel was in Budapest, I told him that we have already tried this once in 1335, at the meeting at Visegrad; then we waited some 600 years, and here it is, the task has not become easier. One hopeful fact is that the cultural traditions of these three countries are close to each other. Another opportunity is contained in the idea of an Adriatic-Alpine regional collaboration, which in fact implies an expanded zone of unrestrained (cultural and economic) movement in the neighboring areas of Austria, Italy, Yugoslavia and Hungary. There is merit in the concept of a Danube-Adriatic program, too, which could also create collaboration among Austrians, Italians, Yugoslavs and Hungarians. This concept will be discussed by government heads in Venice this coming August. Reviving an idea that flourished during the Anjou [Angevine] period, Italy shows considerable interest in our region, and in this regard it is inspired by the vision of German unity. What all this implies is that we need a multifaceted foreign policy, and it will be useful for us to maintain diverse contacts. In unequivocally striving for European unity, we can rely on the support of Germany, France, England and Italy. I would like to emphasize that our integrating concepts cannot conflict with the idea of Atlantic unity, which is not a NATO invention, but a part of European thinking since the 16th century.

When it comes to our system of economic contacts, we cannot exclude any country, least of all Japan; after all, 40 percent of our indebtedness is to that country. We must take advantage of Japanese interest in Europe. In general, we should think in terms of a world with several political centers. The coming decades will probably point in that direction; the era of a bipolar world is nearly over. I feel that for Hungary this is a positive development. Of course, we wish to maintain our contacts with the Soviet Union, and our calls for the withdrawal of Soviet troops and our intention to leave the Warsaw Pact Organization do not imply hostility, only a desire to achieve equality based on mutual interests, that is, the development of a relationship which would make it even easier to cooperate in the spheres of economy and politics. Political trends are impossible to copy, but the maintenance of good neighbor relationships is illustrated by the case of Finland and the Soviet Union: Their good neighbor relationship contributed to the fact that today Finland is one of Europe's most dynamically developing countries.

#### Crime Statistics Compared With Those of Europe, United States

90CH0233A Budapest NEPSZABADSAG in Hungarian  
25 May 90 p 6

[Article by Sandor Nyiry, deputy chief prosecutor: "What Do Statistics Say About Crime in Our Country? A Prosecutor Looks at the Issue"]

[Text] Motto: A victim of robbery will not be consoled by the fact that robberies are even more frequent in a nearby or distant land.

Crime, as an undesirable social mass phenomenon, and crime-fighting, as a state activity faced with operative problems, are in the focus of public interest. As it is well known, the statistical indicators of crime in this country reveal a rapid deterioration of the situation. Statistics applying to crime-fighting show a similar deterioration.

In fact, nowadays the public is shocked by some statements and announcements. Nor do I have any intention to make the situation appear more promising than it is. What I would like to do is to present the situation objectively by revealing the relevant numbers and data, and thus arrive at some inescapable conclusions.

As it is well known, the international comparison of crime statistics is made exceedingly difficult by the varying legal definitions and statistical systems of the various countries. There are some indicators, however, that are comparable, in spite of possible deviations and it is with these that the distorting factors of statistics are least likely to make their effect felt.

#### International Comparison

If we combine the number of crimes committed in Hungary in 1988 per one hundred thousand residents, then this indicator would be equal to 6.1 in Sweden, 4.7 in Denmark, 3.5 in Holland, 2.8 in France, 2.5 in Austria, 1.9 in Norway and 1.2 in Belgium. If we combine the number of homicides per one hundred thousand residents, then this would equal to 0.7 in Austria. The number of robberies, on the other hand, (figuring it the same way, that is, taking the Hungarian occurrences as a total) would be 1.8, while that of larceny 1.9. The picture is made even subtler if we take into consideration that while the neighboring country had 90 cases of bank and postal robberies in 1988 (and 23 of these cases involved the use of firearms), there was not one case of this type occurring in our country during the same year. The rapid deterioration of our situation is shown by the fact that in 1989 there were seven instances of robbery against financial institutions, and five of these were committed while armed. However, this is still far from the activities of Austria's criminals. (Unfortunately, we are not familiar with Austria's data for 1989.)

In comparison to other European countries, the picture of crime in our country appears even more favorable. Who would think, for example, that in Sweden or Denmark there would be twice as many homicides per one hundred thousand residents as in Hungary?

The public also developed an unfavorable image about the quality of our crime-fighting work. To be sure, we find it more and more difficult to control crime which has increased very rapidly. But it is worth noting that while in Hungary 36 percent of crimes are solved, the very well equipped British police boasts 36 percent success, that of Sweden 33 percent, Norway, Belgium

and Denmark 20 percent, and the United States 20.7 percent. In Europe, France surpasses us with a 40 percent and Austria with a 54 percent success rate.

It is similarly worthwhile to compare the rate of investigating success in the various types of crimes. When it comes to robberies, Hungarian police is successful in 45.5 percent of the cases, the Austrian police in 14.4 percent, and the French police in 24 percent of the cases. In cases of burglary, last year we succeeded in 32.2 percent of the cases: In this regard Austrian police was successful in 25.5 percent, the French in 14.3 percent, and the Belgian in 10 percent of the cases. One understands the anger of the journalist who reported that in Hungary nearly one out of every ten murderers escapes without punishment. When evaluating the efficiency of our crime-fighting agencies, however, it should be taken into consideration that when it comes to solving cases of homicide, our 91.2 percent success rate compares to 70.2 percent in Sweden, 87.9 percent in Denmark, 89.9 percent in France and 70.2 percent in the United States. In Europe, the Austrians (95.1 percent) and the Dutch (94.2 percent) have been more successful than we have been.

#### This "Trade" Changes Structure, Too

I would not like to be misunderstood: A victim of robbery will not be consoled by the fact that robberies are even more frequent in some neighboring or distant lands. For years Hungarians were told of a strong public safety, and for a while this coincided with their everyday experience. Under the changed circumstances, it is correct for us to warn people: Guard your valuables with greater care! At the same time we should try not to cause a panic, but evaluate our situation factually.

The sharp rise in crime statistics means that crime fighting cannot continue its former practices. We may reorganize the apparatus, rationalize our work, but we must also tell society that we need help. Our equipment is old-fashioned, we are understaffed and our working conditions are intolerable. Given the openness of our country, there is no doubt that our society will be subjected to some negative phenomena as well. It would be naive to imagine that freedom of travel and the free movement of ideas will only bring "good people" and "lofty ideas" to this country. It is sufficient to consider the expected further increase in drug consumption and its social consequences, and it soon becomes evident that we must prepare for such quantitative increase and structural transformation of criminal activities which bewilder even the developed Western countries' more reliably operating social network and their better equipped and staffed police forces. (Just as a comparison: In our country there is one policeman for every 427 residents, while in West Germany there is one for every 275, in England one for every 295 and in France one for every 264.)

### Prevention Yields Results

In developed industrial societies criminal activities have been increasing regularly for the past three decades. During the past two to three years, however, efforts on behalf of fighting and preventing crime have brought the desired results. The increase in crime rate has stopped, and in certain cases a modicum of decrease could be detected. It is worth studying the experience of these countries when it comes to police work as well as the organization and regulation of their justice systems. One of our tasks must be to increase the efficiency of crime fighting activities. In addition to political preconditions, life without fear also requires that people be able to walk quietly on the streets, knowing that the state protects their lives, their bodily well-being, their possessions, and their dignity.

### Lead Contamination in Budapest Suburbs

#### Local Official, Scientist Comment

90CH0235A Budapest NEPSZABADSAG in Hungarian  
30 May 90 pp 1, 4

[Article by Peter Vajda: "Lead Alert at the Edge of the City: Why the Garden Produce Cannot Be Consumed in Nagyteteny"]

[Text] This past weekend a loudspeaker-equipped police car cruised District XXII, some of the streets of Nagyteteny. The residents listened incredulously as the Office of Public Health and Epidemics [KOJAL] cautioned them against eating vegetables and fruits growing in their gardens as they might be harmful to their health. A number of people live here throughout the year, and the region has many weekend houses, too, which means that most of the residents grow their own lettuce, spinach, strawberries, and cherries. Now people are asking: How long have they and their children been eating produce containing lead in amounts 10 or 20 times as high as allowed by law; by whom and when will they be compensated for any damages? What has happened?

That is what we tried to find out, starting our inquiry with a Major, Dr. Istvan Komaromi, who is the police chief of the District. He told us that as soon as they received the data which referred to the contamination of the products in question, they dropped everything and started alerting the residents. Even this talk with the District chief revealed that it took nearly a month before results of the tests taken on 24 April reached the District XXII council and the police. The president of the District council, Jeno Csobanki, told us that about 3,000 individuals live in the area which recent tests show to be threatened. The police chief and the council president told us that even before the tests were undertaken it was certain that any excess contamination must be coming from the Metallochemia plant which long performed as a

lead foundry and which presently performs the collection and crushing of used car batteries. The Metallochemia has been exposing the district to severe lead contamination for at least 10 years.

However, even the person in charge of the test performed in late May, Dr. Peter Szabo of the Plant and Soil Protection Service [NTVSz], did not expect contamination to be as severe as it turned out. Plant tests were performed in seven locations, involving spinach, lettuce and sorrels. The allowable maximum lead content is 0.3 milligrams/kilogram; this value was exceeded everywhere, at times as high as 24 fold. Soil tests also yielded results many times over the allowable limit; at times as much as 10-12 times as high. In the walls of the drainage system, through which waste is removed from the Metallochemia and another chemical plant, lead content was fifty times as high as the allowable value.

I asked Dr. Szabo if we can reach final conclusions. He readily admitted that it was too early for that, and stated that control and auxiliary tests are being prepared which would shed more light on details. He also responds to a statement made by one of my interviewees: According to that, the situation gives no cause for great alarm; after all, it is possible that the crops are contaminated entirely from the air, from the dust blowing toward the gardens. If this were true, the vegetables and fruits would simply have to be thoroughly washed (as recommended after Chernobyl), and that would take care of everything ... The researcher does not share this optimist view. According to him, further tests may reveal this to be the case. More likely, however, both causes are at work: rain washes contamination from the soil to the plants (after all, heavy metals break down extremely slowly in the ground), while dust also contributes to the problem. However, even if we talk about dust alone, there is no guarantee that every child will wash the cherry before eating it, and then we had not even mentioned the fact that we also have to breathe the air ...

"Since June 1989, more and more people came to see me," said Dr. Peter Meszaros, District XXII's representative in the National Assembly, "since I headed the environmental task force of the District MDF. That was also the time when an article appeared in the journal MEDICUS UNIVERSALIS, showing that the rate of cancerous illnesses is four-six times as high in Nagyteteny than elsewhere in the country. We used residential forums to start measuring the sources of environmental contamination, and that was how we came to hypothesize that the hazardous materials used by the Metallochemia and the Chinoim may contribute to the situation. At the Metallochemia they process lead, copper and zinc. They crush the collected lead batteries in an open shed, before transporting them to East Germany. Copper and zinc are subjected to foundry processes and lead is being poured at the plant. Thus, poisonous by-products fly above the district through the plant's chimneys. If we were to go down the streets near the factory, we would find that nearly every second household has someone suffering from a serious illness.

We wrote a letter to the Ministry of Environmental Protection. When the Ministry declined to address the problem, we decided to remedy it ourselves. We established the "Green Future" association for environmental defense. We contacted the enterprise, but received no satisfactory answer and no substantive measures have been taken. At the time we did not know that the KOJAL had already performed tests in the district, without making the test's results public. All this has come to light now that a landslide has been started. It was last Saturday that results of the test conducted at the request of our association by the Plant and Soil Protection Service were made public. "I consider the figures shocking," said Dr. Peter Meszaros.

"Further tests need to be performed. I also believe that people living in the neighborhood must be given material compensation. We already know that the Metallochemia's environmental pollution has affected 12,000 individuals in the region. If necessary, I will address the National Assembly on this topic," said the deputy.

Three thousand, as the council believes, or 12,000? Further study will provide the answer: obviously, we have to expand the circle drawn around the Metallochemia plant. More than two weeks ago, when results of the latest test were not yet known, the head of the District's KOJAL stated: "According to the latest scientific information, I know of no data that would justify having to resettle people from the district and suspend the factory's operations." Is it certain that he is correct?

#### Environmental Program Defended

90CH0235B Budapest NEPSZABADSAG in Hungarian  
4 Jun 90 p 4

[Interview with Ferenc Gyurcsa, worker at the Metallochemia plant, by P. M.; place and date not given: "What Does the Metallochemia Want? In the Traces of the Lead Alert"]

[Text] The article "Lead Alert at the Edge of the City," published in our paper on May 30 by the deputy from District XXII, Dr. Peter Meszaros, hypothesized that the lead content of vegetable and fruits in and around Nagyteteny is much higher than the allowable level, because Nagyteteny and its neighboring settlements are "flooded by the hazardous and dangerous materials used by the Metallochemia and the Chinoin plants." On behalf of the workers at Metallochemia, Ferenc Gyurcsa came to our editorial offices Thursday, and told us that based on a decision of the KOJAL [Public Health and Contagious Disease Station], production at the plant was stopped as of 1000 Tuesday. He also gave us an open letter, addressed to Dr. Peter Meszaros, signed by 166 of the factory's 280 workers who called a meeting after work was stopped.

[P.M.] What is in the letter?

[Guyrcsa] It describes what great efforts we have made since 1977 to save Nagyteteny and its environs from

further environmental pollution. We object to the fact that the "Green Future" association is not always willing to accept test data released by relevant agencies of environmental protection and the KOJAL which approve of our efforts. We feel that it is important to distinguish between our activities before and after 1977. We do not doubt that the lead foundry activities performed between the establishment of the plant in 1908 and recent years represented a significant burden for the environment. Since we no longer perform such activities, I can state that since 1977 the level of lead emission has been within allowable limits.

[P.M.] As of now, what could be considered a source of danger at the plant?

[Guyrcsa] Starting with 1980, the Metallochemia acquired the right to collect from [metal recycling points] the 25,000 tons of discarded motor vehicle batteries, and forward it to East Germany for further processing. This put an end to the previously existing situation in which various recycling points throughout the country crushed the batteries, thus polluting the environment in many more locations. The environmental picture would have improved greatly if the Discarded Battery Processing Plant would have started operating at our factory right away. Emission levels at that plant are lower than what is now being measured at the Astoria Hotel [in downtown Budapest]. However, since this did not happen, we had to make investments to satisfy environmental protection standards, even if this meant cutting into our wages.

[P.M.] According to Mr. Meszaros, the crushing of batteries takes place in an open shed at your plant. Is this true?

[Guyrcsa] We are also upset by the fact that the deputy did not visit our factory: If he did, he would have seen that the battery storage area is covered; we are able to sprinkle the batteries from the roof, and thus reduce the dust that is created when the batteries are crushed.

[P.M.] In the end, what is it that you would like to see happen?

[Guyrcsa] We would like to see a situation in which responsible agencies or individuals would rely on trustworthy official test results to evaluate our plant's actual effect on the environment.

#### Public Health Authority Comments

90CH0235C Budapest NEPSZABADSAG in Hungarian  
4 Jun 90 p 4

[Text] Our reporters also talked to the KOJAL [Public Health and Contagious Disease Station] concerning the matter of lead contamination. We were told that the ominous test results could not come as a surprise to the people in charge, because previous tests showed similar results. It is also a fact that residents have been previously cautioned against growing vegetables and fruit in the area, but such warnings were not heeded. What is

more, after they started billing residents for water, owners of the area's family dwellings reopened and used previously capped wells.

The problem is further complicated because the previous practice was that polluters of environment paid a fine and everything continued as before. Shutting the plant down could represent additional dangers; there will not be anyone to collect the discarded batteries, while their owners will continue discarding them, creating new environmental hazards. One solution is to modernize the plant, replacing the old technology with a new one. A protected zone could also be established around the plant, and the plots could be purchased for this purpose, with compensation paid to the owners. Due to a lack of financial resources, these solutions are beyond the capacities of both the plant and the local council. We have also found out that the local council's president called for the appointment of a commissioner to conduct the investigation and take the necessary measures.

## POLAND

### Fundamental Issues in Drafting New Constitution Examined

90EP0674A Warsaw *POLITYKA* in Polish No 23,  
9 Jun 90 p 3

[Article by Stanislaw Podemski: "The 1991 Constitution: Building Blocks"]

[Text] The Senate Constitutional Commission approached 30 personages in Poland and outside its borders with a poll containing 17 questions on the content and makeup of the fundamental law of the future (the list is published at the end of this article).

Up to the present time, this has been the only gesture made to draw a broader body of persons into the discussion about the constitution. For the present, discussions on the system are taking place in special Sejm and Senate commissions. Even the voice of the press is rarely heard on this issue of major importance to Poland's future, and when heard, it is anemic and full of platitudes. And so I reiterate (*POLITYKA*, 7 April 1990, "A Duel with the Calendar"): time is short and everything to be included in the Polish constitution must be thought over and discussed carefully.

#### The Anointing

Should the president be elected by parliament, should this necessarily be done in a general election in which everyone over the age of 18 participates? The foreign models are widely different (for example, in Italy, the decision is parliament's, while in France it is made by the electorate). The tradition of Poland's two constitutions from 1921 and 1935 tends to favor elections conducted by the combined chambers (1921) or by a special assembly of electors (1935), although the latter

law included one exception on behalf of general elections. But it is not a question of tradition and not one of drawing from foreign models. Electing a president by means of a general election would have two weighty consequences in today's Poland. In the first place, it would constitute the ceremonial anointing of the head of state by millions of electors—highly necessary for the head of a state that has continually been thrown out of kilter. In the second place, a president elected in this way gains a strong position with regard to the parliament and he himself (not only the deputies and senators) owes his office to the will of the people. A general election of the president will lead inevitably to so-called presidential governments in which the head of state has extensive and rich powers, plays the role of arbiter in national quarrels, influences domestic and foreign policy and concentrates the various threads of authority in his hands (for example, he is chief of the armed forces, indicates a candidate for premier, dissolves the chambers and manages the primary elections). I am of the opinion that Poland today inclines toward such solutions and longs for them, and that no one has questioned them carefully.

Belief in a distinguished individual, in a savior of the fatherland was and is strong in Poland, and it is stronger today than at any other time. The clearly growing ambitions of the leaders of vocal political groups which are not known to the general public, the impoverishment of programs and of the membership of the existing parties (except, perhaps, for the PSL [Polish Peasant Party], the mediocre level of political and administrative culture—all this as well favors a popular president elected by the people, strongly grounded in the constitution and liberally drawing his authority from its provisions.

Obviously, the constitution must also serve the country when neither we electors, nor L. Walesa, nor T. Mazowiecki are no longer around. There begins the difficult choice between today's needs and a vision of the future. What course will the fortunes of Poland take a half-century from now? No one knows, and perhaps the discussion over the constitution is so anemic because we lack a picture of Poland in the year 2050. But there where we must choose between a well-known present and a heavily veiled future, the choice is clear for most people and the present receives the vote. In his Wroclaw address, the premier made mention of two possible ways of electing the president, leaving the decision in the hands of the people. I have no doubt about what that decision will be: the classic parliamentary structure, with the parliament dominant over all, a government dependent upon it alone and only two or three parties of any importance with a figurehead as head of state who "rules, but does not govern"—it is so foreign to Poland as to be impossible.

#### How Many Chambers?

The new Polish Senate is only a year old, but its future existence is already being called into question. The fact that its deliberations or its decisions sometimes arouse

words of sharp criticism is understandable, but beginnings are always difficult and they should not dictate and model future institutional solutions. It is true that the so-called upper chambers dominate primarily in federated, union nations in which such a chamber groups representatives of individual states, countries or regions (e.g., the US, the FRG and Austria). However, there are also 12 countries which are not federated and have senates. Since the time of Montesquieu, this second, upper chamber has been conceived as an element for checking and correcting overly impulsive legislative decisions and for this reason it is known as "the chamber of reflection". In my opinion the Polish Sejm needs and will need a senatorial community which is a reflective, checking element.

Let us not hide the fact, however, that the demands for creating a representation of the self-governmental, union and economic communities as a second chamber of parliament have been lively and often reiterated. The experiences of the Yugoslavs, sometimes alluded to here, with their many chambers (producers, officials, teachers and whoever else) are not encouraging. But there is a voice from the distant past which is interesting and worth remembering. In 1919, M. Niedzialkowski of the PPS [Polish Socialist Party] proposed creating a Chamber of Labor alongside the Sejm. It was to be composed of representatives of the working world, broadly conceived, and its interests were to include: labor protection, social security, labor legislation (including strike legislation) and capital-labor relations. The project fell apart, but it is worth resurrecting because it may constitute an interesting point of departure for discussion on providing the upper chamber with a character which is different from its character up until now. The position of trade unions and of their signatory—employers, the enormity of economic and employee issues confronting the Sejm—all this directs interest toward the proposals of one of the leaders of the interwar PPS. True, the Chamber of Labor was to perform merely advisory, opinion-rendering functions with regard to the Sejm. However, such a body may be just as good at becoming a forge for social and economic legislation.

A custom which has gained strength is the placement of the main principles of future voting regulations into constitutional law. The principle of proportionality, i.e., that the number of mandates in parliament is contingent upon the number of votes a party receives, must be applied to elections which are secret, equal, universal and direct. Future voting regulations will specify the details of this distribution of votes, but should constitutional law not set a barrier for groups which have received one percent of the votes in an election, for example? With regard to this, some countries establish a high cutoff point of five to six percent of the votes. If a party receives at least this percentage the chamber is open to its deputies. Are exotic representations of tiny groups, which are incapable of participating in a serious coalition or alliance and are sometimes adept at playing the role of pointing the finger, usually only to their own

advantage necessary in the Sejm? However, on the other hand, given the Polish political reality, such a high cutoff point may deprive a growing political party of representation in parliament, at a stage when such a party is just gaining recognition in society, popularity and members (and there are many such parties).

#### Minister Skubiszewski's Opinion

Poland constitutes a part of international society. It is now rejoining it after many years. This connection places before the constitution the issue of its relationship to international law. This is not an imagined academic problem, but an issue which is still hot from recent quarrels. When, in 1987, the Supreme Court refused to let numerous Solidarity elements register, in spite of the fact that agreements ratified by Poland supported this demand, this court wrote: "Until such time as the norms of international law, in a manner provided for by internal law, are introduced into such law, they do not become such law, and, as a consequence, they do not bind the courts." In a word, the Supreme Court is its own entity and international law is its own entity.

K. Skubiszewski, professor and present head of the MSZ [Ministry of Foreign Affairs], long ago demanded that the future constitution resolve the primacy of international law over Polish law (PANSTWO I PRAWO, October 1987) and that it order the application of international norms to Polish public institutions. Today's constitutions do not lavish space on membership in the international community and faithfulness to its law. The fundamental law of the FRG states that "The universal regulations of international law are a part of union legislation. They take primacy over the law and directly create rights and duties for citizens." The French Constitution of 1946 was laconic, but also clear: "The French Republic, faithful to its traditions, complies with the norms of international public law."

Today the Polish citizen has too many intermediaries along the road to attaining his constitutional rights. The German or the Italian, just like the citizen of every other EEC country, can demand his rights before an all-European tribunal if the government of his own country has failed him. Before it is this way in Poland (and it will be this way), we must finally make it possible for every person to approach the Constitutional Tribunal directly to examine his complaint (without the participation of the prosecutor, a spokesman for citizen's rights or a social organization). Those opposing this solution are very vocal in their objection to the wave of litigiousness which (so they predict) will pour out and may even drown the Tribunal. While the first months may be really difficult (in Hungary 300 constitutional complaints were made during the initial period), time, experience and the precedents of the Tribunal will quickly temper the intentions of those who are overly inclined to creating court scenes.

### Church and State

Will the constitution once again clearly prescribe the separation of church and state? The first public voice of criticism against this prescription, coming from a priest bishop, does not bode well for its continued existence. Moreover, it appeared for the first time in the 1952 constitution, and it also preceded the biggest wave of persecution of the church.

The quarrel over the significance of the church's role in the life of the nation was already long and vehement from 1918-21 and it ended in the 1921 constitution with the familiar: "The Roman Catholic religion, being the religion of the vast majority of the people, occupies a supreme position in the State, among religions having equal rights." Today, when the church has gained unprecedented prestige, power and position, the old quarrel may be resurrected full force. While one may quibble over how to say it, some sort of constitutional designation of the secular nature of the state (and thus of the law) will be indispensable if all of its citizens (including those who have no religion and those who belong to other faith communities) are to feel good in their state. To date, the still conservative course of the discussion on the school teaching of religion points to one thing. Many people are afraid of clericalism although they believe and practice their faith. The vision of the church interfering, for example, in marriage law or in the control of films and the like is as unpleasant as is state interference in the life of church organizations or in the content of canon law. The negative position of the Polish Ecumenical Council (which bands together eight Christian churches) on the issue of religion in school is noteworthy. The Italian Constitution of 1947 contains the clever statement: "The State and the Catholic Church are, each in its own domain, autonomous and sovereign."

### What Can We Afford?

The rights and duties of citizens are the real axis of every democratic constitution. Enumerating them is simple in the political field: the right to participate in public life, to associate and gather, to the freedom of religious convictions and ideological choices, to equal treatment before the law, the guarantee of defense and objective judgment in the event of a clash with the penal code; these are some of the many rights named by constitutions and international pacts on civic and political rights, which Poland ratified 13 years ago. The problem begins at the point of establishing the list of social and economic rights.

The present constitution from 1952 promised everything to everyone: the right to work, to rest, to aid in the event of illness and old age (social security), to receiving the benefit of cultural values and to maternity protection. It guaranteed health care and equal employment rights for women, it hinted of the right to housing for families and of special concern for the younger generation. How all this was borne out in practice we all know. Social rights cost, and cost dear. What can we afford today and what

will we be able to afford in 50 years? Poland also ratified the international pact of economic, social and cultural laws, which speak of "every person's having the benefit of just and favorable working conditions," of the right "of everyone to an appropriate standard of living" (including housing), of the right to "the highest possible level of health protection." But these are burning desires and pious wishes in today's Poland, and a constitution is not so much supposed to promise something as it is supposed to guarantee it realistically. The language of ideology and of fancy phraseology is not appropriate to a constitution if it is supposed to be a really living source of citizen's rights, and not a collection of pious desires without any foundation.

The Polish Constitution of 1921 was cautious about promising social rights. "Maternity care is regulated by separate laws, in the event of the loss of work, illness, an unfortunate accident and infirmity, every person has the right to social security, children without care have the right to care and help from the State"—that is it. Prof. J. Zakrzewska (PANSTWO I PRAWO, No. 2, 1990) writes correctly: "It would not be good to yield to the pressure of the past and to lag behind on many social solutions adopted in democratic constitutions and international pacts." True, but how are we to reconcile this with the hard socioeconomic realities of Poland in 1990?

I have made a very rough sketch of the structure of the constitution and the choices open to us. There are obviously many more, and as we enter into the details, more and more choices must be made, and time is wasting rapidly. The duel with the calendar, which brings us quickly, ever more quickly, to 3 May 1991, may end in a law which is unworthy of its great predecessor.

Here is the list of participants in the poll who were asked their opinion by the Senate Constitutional Commission: Prof. Innocenty Maria Bochenksi, Prof. Maria Borucka-Aretowa, Prof. Wieslaw Chrzanowski, Prof. Wieslaw Daszkiewicz, Prof. Ludwik Dembinski, Prof. Leszek Garlicki, Jan Gawronski, Prof. Bronislaw Geremek, Jerzy Giedroyc, Prof. Aleksander Gieysztor, Prof. Stanislaw Grodziski, Prof. Stefan Grzybowski, Prof. Leszek Kolakowski, Prof. Jerzy Lukaszewski, Prof. Anna Michalska, Leszek Moczulski, Jan Nowak-Jezioranski, Edward Raczyński, Prof. Zbigniew Radwanski, Prof. Krzysztof Skubiszewski, Prof. Adam Strzembosz, Prof. Waclaw Szubert, Prof. Father Jozef Tischner, editor Jerzy Turowicz, Prof. Wlodek Wagner, Lech Walesa, Wojciech J. Wasiutynski, editor Boleslaw Wierzbianski, Prof. Jerzy Wroblewski, the Polish episcopate.

Unfortunately, few constitutional law experts figure in this listing, although we must admit that many of these people provide expert assistance to the constitutional commissions of the Sejm and the Senate.

### Coal Mining: Potential for Unrest Seen in Implementing Changes

90EP0717A Warsaw *POLITYKA* in Polish No 27, 7 Jul 90 pp 1, 5

[Article by Jan Dziadul: "The Last Bastion: Free Market Prices of Coal"]

[Text] Last spring the mines were chockfull with coal, so much that they had to curtail extraction, but in the last days of June enormously long queues for coal appeared, and the wait for coal was two to three days long. Yes, precisely for coal. The miraculous change took place after the government announced its intention to abolish official coal prices and introduce free market prices, that is, to marketize coal, as of 1 July. Its intention was interpreted unequivocally to mean that coal prices would rise! But the miners interpreted it the other way around: they fear a decline in prices and the shutdowns of mines; they show up for work fearing that they might be out of work.

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The government, on its part, has so far been trying to assuage these fears, but ineffectively, because certain of its representatives made casual, as it were, announcements about talks being under way concerning eventual imports of cheap coal from Australia, Colombia, or even South Africa. If that happens then, as certain Mining Solidarity activists declare without concealing their irritation, that will be the last decision to be taken by several ministers in the present cabinet. If we also consider the current unprecedented internecine Polish-Polish competition on world markets, which is resulting in a lowering of the prices of Polish coal, there can be only one conclusion: the situation in Polish mining is tangled as never before since the war's end. As known, this is a transition period, but its eventual outcome is unknown.

Minister of Industry Tadeusz Syryjczyk declared on 28 June, at a meeting of the National Commission of Mining Solidarity with Tadeusz Mazowiecki and the members of his cabinet, that, for the first time in 40 years, the Politburo has ceased to decide on the volume of coal extraction and the price of coal. "Our mining has always been under the umbrella of political decisions, but now finally, like all the other domains of the economy, it has to be ruled by the economic laws of the marketplace."

"We did not come here in order to protest against free market prices; we definitely support them, but we ask that this operation be postponed for several months, slowed down, in the interest of miners and the entire society," argued the Chairman of the Silesia-Dabrowa [Mining Solidarity] Region, Alojzy Pietrzyk. "To mines this is the worst of all possible eras. In the summer the demand for coal traditionally declines. We fear that free market prices will be lower! If they indeed decline, then, given the present extremely difficult financial situation of the mines, nearly 40 mines may become threatened by

the specter of bankruptcy. And then, also, the reform will, in addition to its present economic and social dimension, acquire a political dimension, which is precisely what we fear most."

For this year the independent and self-governing mines plan, in accordance with the demand, to extract 153 million metric tons of coal, of which three million for their own needs. This means that we will extract 25 fewer million tons than in the previous year. This is related to the economic recession (industrial output has declined by 30-40 percent) and the exceptionally mild winters in recent years (as illustrated in the table below) [Translator's note: table missing].

Aggregate sales of coal, including exports, were estimated at nearly 17 trillion zlotys, whereas the extraction cost was put at nearly 27 trillion zlotys, with the difference to be defrayed by the state. The 1990 Budget Law earmarks 9.6 trillion zlotys for this purpose. (Minus last year's arrears, a necessary reserve fund is created that it is 1.2 trillion zlotys less.) During the first half of this year, however, the prices of goods and services increased, and, hence, government subsidies offset only 70 percent of the needs of the mines. Thus, while during the first four months of this year, the state paid a subsidy of 22,000 zlotys for each metric ton of coal extracted at Piast Mine, at the mines in Walbrzych that subsidy reached as much as 300,000-400,000 zlotys a ton, but even so most mines are up to their ears in debt to the banks.

The financial situation of the Walbrzych mines is so difficult that the bank recently threatened to suspend their credit line. Four Lower Silesian mines are the closest to bankruptcy. In Walbrzych, more than 20,000 people or, if their families are included, 60 percent of the city's inhabitants, would then become jobless, and in Nowa Ruda, 70 percent. A definite majority at present would lack the opportunities for finding work in other industries.

All the mines are state-subsidized. Until last May this meant that the higher the [extraction] cost the higher the subsidy received. Now a "proeffectiveness system" applies under which 30 mines have been identified as the ones which can extract as much coal as they can, because the state guarantees a subsidy for each ton extracted. The other, weaker (40) mines were allocated extraction quotas. They can, of course, extract in excess of these quotas but then they would have to obtain, on their own, the funds for offsetting the difference between extraction cost and the price of coal. It is precisely these mines that fear most a decline in coal prices.

The public belief is that the mining industry is still sponging on the society, and, as Ernest Skalski (GAZETA WYBORCZA, No. 138) put it in his article "Balcerowicz—History Repeats Itself": "Letter carriers, farmers, artisans, and loom weavers pay for [the high salaries of] these magnificent specimens of manhood with their colorful plumed hats [miners in their festive

uniforms], who now decorate only church and Solidarity ceremonies instead of party ceremonies."

But is that really so? Last June the government sales price of coal was 112,000 zlotys per metric ton, or a little less than 50 percent of the coal extraction cost (230,000 zlotys). But the transaction price of coal is 480,000 zlotys per metric ton (US\$50 multiplied by the rate of exchange of the zloty in relation to the dollar).

"All we want is the introduction of free market, transaction prices," declared the Chairman of the KKG [National Committee for Mining] Solidarity Andrzej Lipko. "For a long time we have been trying to get world prices to apply in mining, as they do in other fields in which they so painfully affect us. And yet, how will all those who now claim that they are paying for our salaries react? How will the loom weavers react? How will farmers, who are paying 120,000 zlotys a ton for coal which costs 200,000 zlotys a ton to extract, react? Is it so difficult to understand who is in reality being subsidized? In our talks with the government we also reflected the anxieties felt by the public, by letter carriers and nurses, about any possible crazy upward spiral of coal prices."

Leszek Polmanski, a KKG [Solidarity's National Committee for Mining] member, added, "For a long time now we have been trying to get all kinds of surcharges removed from coal prices. Housing, schools, health services, and sports facilities [all for miners], cost hundreds of billions of zlotys which are included in the extraction cost of coal. By now it has been decided that expenditures not directly related to extraction cost will be defrayed in the form of direct subsidies. For the time being, the minister of finance has promised 580 billion zlotys for this purpose.

#### The Price Scenario

A specific feature of coal mines is that, whether they extract coal or not, their fixed costs, averaging about 66 percent of overall expenditures, remain basically the same. If coal prices decline in the summer months (when the demand declines), a majority of the mines will have their backs to the wall. That is why miners, meeting with the premier, came bearing a proposal for postponing the introduction of free market prices of coal until the fall and, instead, raising the official prices of coal by five to ten percent during the next few months, so that the inevitable jump in coal prices at year end would not be too drastic. They also requested an additional subsidy of 3 trillion zlotys, without which the extraction of 150 million metric tons of coal in 1990 would become doubtful. But the government has agreed to neither proposal.

The premier argued, "Delaying the introduction of free market prices would result in making their consequences worse and more drastic." Instead, the government confirmed the decision to purchase, within the next few months, more than seven million metric tons of coal (mostly to be stored at power plants) with the object of

keeping the coal mines in operation, thus, eventually counteracting any sudden price hikes by coal producers at year end.

Thus, as of July 1, for the first time since the war, coal prices will no longer be controlled. The last bastion of the command-allocation system is (it seems) falling.

"This does not mean that coal prices will at once reach the world level, because no one would withstand such a blow, but still they will be very high," forecasts the Director General of the Anthracite Corporation (now under liquidation) Tadeusz Demel. "I personally do not share the opinion that free market prices of coal would fall drastically in the summer season. Most likely are minor upward and downward fluctuations in relation to the June prices. The downward movement should be halted by means of interventional purchases by the government. The upward movement is controlled by the power industry, which is the principal coal purchaser. At present its coal inventories are huge and, hence, it will not be interested in buying coal at higher prices. Besides, Treasury offices may defer the increases for three months. Starting in September, coal prices will probably increase gradually until, at year end, they reach one-half of the world price level, that is, about 230,000 to 250,000 zlotys per metric ton. By the end of next year, we should gradually approach the transaction [world] price, with all the consequences thereof, such as sudden shifts in prices which have not previously been experienced on our market. If this comes true, by the end of 1990, coal mining will not need additional subsidies and, starting next year, any subsidies at all."

To many consumers the upward movement of coal prices already started to take place in June. Coal bought at mines for, say, 150,000 zlotys per ton and trucked thence—since this turns out to be cheaper than transporting coal by rail—is sold at Warsaw fuel depots at 250,000 zlotys per ton and in Bialystok at even as much as 350,000 zlotys per ton.

For many reasons connected with mining geology (dangers of fire, flood, and methane, depth of extraction, etc.) the mines will not be equally equipped to face the new reality. Already last spring the cheaper mines focused on customers who paid more. Free market prices could strengthen competition. At least in the beginning, this competition would not be fair, and, hence, the government decided to equalize the starting conditions by means of the "extraction differential," which would make extraction costs comparable. In the first stage that differential would be paid from subsidies, and in the second from the profits at the disposal of the "Polish Coal" State Agency (more about it below). If, despite the differential, the situation of a given mine is bad, it will be placed in a "state of repair," that is, its salvageability will be determined by outside experts. If their verdict is negative, the mine will be shut down.

Premier Mazowiecki provided reassurances, "That is why, neither in Walbrzych nor elsewhere miners should

fear to lose their jobs overnight and be out on the streets. By the end of July, the minister of industry will present a recovery program for Walbrzych mines, which will be assessed by the interested parties. Admittedly, we shall shut down unprofitable mines, but we should proceed with deliberation, to make sure that any miners thus discharged would leave with dignity, this being due them for their years of arduous toil."

#### Poland a Coal Importer

Well, precisely, will the impossible become possible? As known, for many years the dependence of our economy on coal has not diminished. Were it not for the recession, it is certain that the authorities would be now again appealing to miners to work on Saturdays (this will be necessary during the fourth quarter of the year when we shall need 40 million metric tons of coal for both our economy and exports). If we are to seriously consider the possibility of shutting down mines, we must as seriously consider the possibility of importing coal—unless we shall find by a miracle the gigantic capital needed to refine coal (reduce the amount of gangue, increase the calorific heat of coal). At present only 1.5 million tons of the excavated coal burned by the power industry, out of the 115 million tons extracted, is subjected to so-called scrubbing. Thus, millions of tons of gangue are being transported all over the country, and millions of tons of ashes discarded onto the dumps. Were we able to refine coal, it would turn out that we need not 150, but only 110-120 million tons of coal, and our coal export possibilities would also improve.

For now we lack the facilities. Thus, imports are being considered just in case. Ideas of this kind are a source of irritation to the mining community, whatever the hierarchy level or faction, and some of the more excitable miners are ready to reach for their coalpicks. One of the employees of the Anthracite Coal Corporation (who asked to remain anonymous, because this concerns the department of industry, that is, his superiors) terms this idea commercial and mining dilettantism. "According to reputable persons we could buy quality coal in Australia for US\$15 a metric ton. This is actually the cost of coal extraction at the Australian open-strip mines. Such a price is impressive. But that is the price free on board at the mine. We carried out a study of this "brainstorm" and found that, in addition to that US\$15 a ton, there is the cost of transporting the coal to Australian seaports and thence shipping it to our seaports, unloading it, and transporting it into our country; the final cost would thus be US\$40-45 a metric ton. Besides, it is embarrassing to have to explain to the minister that even if somebody gave us coal gratis, we could accept only a little, because our seaports are equipped only to load coal, not to unload it, which is a completely different problem. Then also there would be the huge cost of new investment projects."

Furthermore, the imports would mean that we have ceased to export. If the several dozen million tons of Polish coal were to disappear from the world market, the

next day coal prices would soar in Australia, Colombia, everywhere. Let us therefore hope that mentions of imports are merely intended to "extort" greater efficiency from mines.

Director Demel wonders, "I wonder more and more often why is it that we listen so readily to the supposedly good advice of foreign experts, who are nowadays so numerous. They view our mines as inefficient and think that they should be soon shut down, because no opprobrium attaches to buying [foreign] coal.... Surely there is a lot that is true to it. But we should also consider the obverse side of the coin: sentiments and business do not mix, and there is no such as giving unbiased business advice considering that the struggle for markets goes on incessantly: 30 million metric tons of coal exported means nearly US\$1.5 billion. If we are eliminated from the world market for coal, many countries will eagerly jump in to cover the shortfall. The latest United Nations reports forecast a growth in the demand for coal until the year 2000. Thus, let us not throw out the baby with the bathwater."

The Chairman of Regional Solidarity Alojzy Pietrzik stressed, "Among other things, this is another reason why we believe that the seat of the national agency in charge of mining should be transferred to Silesia as soon as possible. The decisive voice in reforming and administering mining and plotting the strategy of its development should belong to practitioners, who are actually in short supply at the department of industry."

#### A Criminal Matter

Even if we are not eliminated from the world coal market, Polish trade shall long remain its laughing stock, because of our internecine rivalry. According to unofficial information, representatives of traditional coal buyers, as well as suppliers, intend to travel to our country in order to see, with their own eyes, the antics going on. The formation of a consortium with the object of buying coal, even if at higher prices, is not precluded, so as to counteract the disorganization of the market, that calm, stabilized, even elegant market, which we barged into in muddy boots.

What happened is that, since the beginning of this year, in this country and abroad, Polish coal can be sold by anyone who obtains a valid permit from the Ministry of Foreign Economic Cooperation. When competition on the domestic market results in a decline in the prices of coal and improvements in its quality, that is reason for joy alone. But when this concerns exports, one can only weep. The breakup of [the state's] monopoly on foreign trade was done in a manner that is causing huge losses to this country.

The Weglokoks CHZ [Foreign Trade Center for Coal and Coke] made an offer to sell more than a million tons of coal to a longtime customer in India. Just when the transaction was about to be finalized, it turned out that another Polish foreign trade agency offered Polish coal at US\$3 less per ton. Similarly, a Yugoslav client stopped

implementing a concluded agreement for purchasing Polish coal at US\$47 a ton, because another Polish entity offered him coal for US\$42-43 a ton. A major coking plant has independently exported 95,000 tons of coke at a price that was 20 Deutschemarks less per ton than that asked by Weglokoks. Who is the loser thereby? Can we call this the breakup of a monopoly?

"We are being treated less and less as a serious partner," Director Demel commented, "precisely because we use dumping prices. On stabilized markets such things are disliked. The explanation that, if we sell cheaper, we will then export more is unacceptable. The market is indeed quite stable. Of course, it can always be penetrated by offering competitive prices. If this were done by, e.g., Colombia in order to eliminate Poland, I could understand this; such are the rules of the game; sentiments and business do not mix. Before the war such internecine competition for exports was subject to criminal penalties. After all, this is acting to injure the country."

It is not enough that there is the paranoia [as published] about exports, as we are hearing that power and steel plants also are applying for permits to export coal; they are buying, or will buy, coal at the official price and will sell it probably at only a little profit, because they will not sell it at world prices. If that happens, we can only congratulate ourselves: our country is, as we know, so immensely rich as to subsidize foreign coal consumers. Representatives of fly-by-night outfits are loitering near the mines in order to buy up and export their coal, even in large quantities, as rapidly as possible before we realize what is happening.

#### Colombian Models

The times of business crooks should be over once the "Polish Coal" State Agency is established, perhaps already at the beginning of July. The idea of that agency is not being enthusiastically received, because people associate it too much with the recent [Communist] structures, and especially the so-called coal corporations, that is, in principle, with a huge conglomerate operating by fiat and controlling the operations of the mines.

However, no one at this new agency intends to deprive the mines of their autonomy, except that it is going to exercise certain controls over coal exports. The basis for mutual—noncompulsory anyhow—ties [to mines, etc.] is to be capital participation. The "Polish Coal" State Agency is to be formed as a joint-stock company of the State Treasury whose stock will be distributed first to interested coal mines and, eventually also, to foreign capital.

#### Is the establishment of that agency necessary?

World Bank experts who, upon a request by our government, are working on a program for restructuring the Polish mining industry, were astonished to realize that in only one other country in the world it is as scattered and autonomous, namely, in Colombia. Even small mines enjoy autonomy there. Nowhere in the civilized world is

a totally autonomous mine conceivable. Thus, let us consider how mines operate in other countries, for example, not to roam too far, in the FRG (as it still is called).

In the FRG there exist several joint-stock mining-industry companies, of which the largest is Ruhrkohle AG, a holding company with three economic groups associating, altogether, 23 coal mines and 11 coking plants which operate independently, except that they cannot sell coal on their own, whether domestically or abroad; marketing is a preserve of the main office. VEBA [expansion unknown], a state-owned power industry concern, owns 40 percent of shares in that holding company, thus assuring the state of the possibility of influencing the operations of that company as a whole.

But in this country associations of coal mines are still a rather unpopular issue; the struggle for the autonomy of mines was so sharp, but was it quite worth it?

Before the war [World War II] coal mines in Poland were part of larger enterprises. Even now this can be seen from the fact that they are located in the immediate vicinity of power plants, coking plants, and steel plants, from which they are separated by fences. For example, in Trzebinia a coal mine and a power plant, both bearing the same name, Siersza, are linked by an underground conveyor belt and are thus interdependent. Yet, last spring, they "warred" against one another, because the power plant did not want the local coal and preferred to order better quality coal elsewhere. But since, the railroad tracks from the power plant pass through the territory of the coal mine, the miners blockaded the trains with the better quality coal. It may be that had that power plant and that coal mine been operating under the same marque, they would have long ago obtained a coal-desulfurizing facility and produced fuel of better quality.

Before the war the Polish coal industry was associated within the Polish Coal Convention (a joint-stock company), which fixed minimum prices for coal and, by the same token, operated on behalf of coal producers. The state dictated the maximum prices. The state also decided on exports. As for after the war, we know how things were then, with, until recently, the Politburo having the principal voice in all matters concerning coal. That was in the past; the future is unknown.

The "Polish Coal" State Agency will not only control exports and allocate the "extraction differential" but also keep statistics on coal and, while it will not intervene in domestic coal sales, it will sponsor scientific research, supervise mine rescue stations, and accept responsibility for restoring the natural environment in the area of shut-down coal mines. The scope of activities of the agency should also include the construction of new mines. It would act as a kind of parent for the new mines and mining-related joint-stock companies, of course if they will accept it.

However, the genuine reform which is now finally reaching the mining industry is meeting with an explosive atmosphere. The government was warned that the fuse is already lit.... The discontent is menacing. This year miners were most affected by the decline in real wages, which, for them, according to government estimates, reached 35 percent and, according to Solidarity experts, 41 percent. The average wage in mining was 1.2 million zlotys during the first five months. The number of fatal accidents doubled in comparison with the previous year. Sixty-three miners lost their lives underground. The number of other serious accidents is rising frighteningly. The low earnings, the uncertainty about the future, the specter of mine closings, unemployment (a miner's job is the most difficult occupation for retraining)—all this was hardly conducive to labor discipline. Foremen have lost their authority and are continually being threatened with a vote of no confidence; the management is preoccupied with competitive appointments, and trade unions are but barely tolerated by the miners. Most miners keep away from trade unions; if there is an outbreak of discontent, they will not be quieted by any authority.

To top it all, the next two months are going to be the most crisis laden, since coal extraction reaches its nadir in the summer, the earnings of miners are going to be still lower, and their prospects miserable. The only thing that remains is to pray that we may survive until the winter—and to pray for a severe winter.

## ROMANIA

**Romanian Elections: Court Action Barring  
Opposition Candidates Described**  
90CH0229A Bucharest ROMANIAI MAGYAR SZO  
in Hungarian 6 Jun 90 p 1

[Article by Pal Nagy: "A Strange Judgement"]

[Text] How shall I say it? It is done, it is over, it is finished, we managed to survive it. Everyone knows what I am talking about. However, we still have no idea what that rose-fragrant Sunday in May has brought (and could bring) to the country's people, to communities and individuals, to the majority and the minorities. We can only make guesses as we see the pale outlines of future perspectives.

Although we cannot deny the validity of the old cliche according to which life goes on, and even though in this period of changes it is useless to constantly look backwards, we cannot forget our yesterdays and our recent past; we cannot forget the mistakes, the injuries, the distorting spots and infecting centers which could be the sources of various troubles if we were to cavalierly (and with forgiving generosity) simply sweep them out of the way. It is said that this time we are faced by the task of creating real democracy. First, therefore, we must give back the original credibility to that term and similar others: justice, dignity, humanity. If we do not, all our

efforts could be wasted...As I muse over the above, I am making question marks and exclamations on the margin of a court decision. The substance and uncommon "peculiarity" of the "affair" are widely known: The court decision that prevented Enache Smaranda and Elod Kincses of Marosvasarhely [Tirgu Mures] from being nominated as deputy and senator respectively, created quite a sensation at the time, and it still excites us. Not without justification: It would be criminal negligence on our part to shelve the entire matter, to sweep the revealing conclusions under the rug.

What, in fact, did happen? Many people could have read the text of the court judgement on the pages of this publication: On the bases of written objections made by 158 "physical persons," as well as causes raised by the Association of 1940-44 Romanian Refugees from Northwest Transylvania, after an "open" trial held on 30 April 1990, the court "withdrew" the nomination of Enache Smaranda and Elod Kincses.

As a result, Enache Smaranda could not run in the 1990 "free" Romanian elections because, as an independent candidate for the post of deputy, he had the courage to express and defend his own views concerning certain public affairs in the television and the press instead of remaining silent, keeping his mouth shut, as prescribed by the Marosvasarhely court authorities in this confused document that is referred to as a court decision. In other words, the new (democratic) Romanian parliament specifically needs individuals who will not state their views on any issue, only cheer and nod their heads when someone signals them to do so; this is what every well-meaning soul is being told by judges Ioan Pantea and Gherasim Persa, along with deputy chief prosecutor Mircea Oros. There were plenty of people like that in the forgettable Great National Assembly of previous years; not least of all from the ranks of Romania's ethnic Hungarians. It appears that certain judges and prosecutors came to like them so much that they cannot imagine the new parliament without them...As for the accusations raised against Elod Kincses, we would only make these modest remarks: If these were causes enough to withdraw his senatorial nomination, then every second nominee could be similarly deprived of the right to run for office. Let us just think about the charges: What false information did he send to the Ministry of Education? That the Farkas Bolyai Liceum was no longer a Hungarian school, and that it should once again become that, in the spirit of realistic ethnic educational requirements? But that is the pure truth, and it expresses a justified demand. That he contributed to the incitement of the populace? There was no need for anything like that: The naked anti-Hungarian cliches, inciting posters, threats, and even "official" measures were sufficient to incite the people. That he "organized a counterdemonstration?" Well, now. As revealed by its definition, a "counterdemonstration" is nothing more than an answer to a previous demonstration: Who organized that? Who mobilized, with the aid of drugs and such mixed into brandy, the residents of rural Hodaklak and Libanfalva

to grab their "traditional working tools" [and rush to the city of Marosvasarhely]? When can we read the respected court's decision concerning those matters?

Still, the most ludicrous (and most thought-provoking) accusation is the one according to which Elod Kincses, living in the city of Marosvasarhely, used a Hungarian-language letterhead when officially responding to a letter that was written to him in Hungarian. I doubt if there is a similar accusation in the legal history of civilized nations. What the Marosvasarhely court says here is nothing less than this: It is a crime to use one's native tongue. Those in charge of administering the laws along the river Maros emphatically imply that in order for someone to become a good senator or parliamentary deputy, one should refuse to speak Hungarian, German or Serbian even among one's own constituency. We have seen and heard these kinds of public puppets operating within the machinery of the dictatorship. We have had enough of them; even if there are individuals here (and elsewhere) who would like to see these despicable clowns return from their deserved moral exile.

As we all know, the "open trial" was conducted in deep secret, or, as they said, "without the summoning of those involved." No opportunities were given to appeal the decision. The names of Enache Smaranda and Elod Kincses were struck from the list of candidates, to the greater glory of the (grotesque) justice meted out in Marosvasarhely. But the story does not end here (and, we hope, it will continue)...What happened was this: After the ROMANIAI MAGYAR SZO published in its May 10 issue the complete text of the court decision along with the names of the 158 "physical persons" who (supposedly) signed the letter objecting to the nominations, various embarrassing complications developed.

To begin with, four of the supposed signers (Gyula Simo, Bernat Kelemen, Jozsef Mathe and Eva Pall) published a statement in the local press according to which they have never signed such a letter (even after repeated orders to do so!), and at the same time they requested the authorities to immediately investigate this seriously unlawful act. In other words, some individuals forged signatures, a fact that the Marosvasarhely court must, "nolens volens", acknowledge. After all, the forging of documents is proscribed by law in our country, is it not, honored judges and prosecutors?

What is urgently needed is for the people named above to initiate proceedings against those who organized this despicable case of signature forgery and thus abused the good names of several unsuspecting individuals.

Nor is it less important to note that, according to the protests of 19 individuals, Enache Smaranda's name was placed next to those of Elod Kincses (and Judea and Scricciu, who since withdrew their own names) subsequently, without bringing this to the knowledge of the signers. Which again could be classified as a crudely illegal act or, to be short, falsification.

Slander, falsification of documents and deception; to cause damage to two outstanding individuals in Marosvasarhely's public life. Who could have been interested in depriving Enache Smaranda and Elod Kincses of their nomination? Who in Marosvasarhely, or elsewhere in this country, can be interested in throttling the honest and open expression of views and thus prevent the flowering of democracy? These questions are far from rhetorical; they are extremely urgent and demand immediate answers if we want this spring's blossoming to remain lastingly refreshing and satisfying.

## GERMAN DEMOCRATIC REPUBLIC

## Provisional NVA Half-Year Budget Released

90GE0231A Bonn WEHRDIENST in German  
2 Jul 90 pp 1-3

[Unattributed article: "East German Armed Forces Budget"]

[Text] By mid-August, the East Berlin Ministry for Disarmament and Defense (MfAV) expects to have brought its budget process in line with itemized plan 14 (authority of the BMVg [Federal Ministry of Defense]), the budget document applicable to the Bundeswehr. Following the budget negotiations on the truncated East German budget which took place last week, the funds available to the MfAV and the National People's Army (NVA) for the second half of 1990 total DM 3.97 billion. This figure is slightly below the DM 4 billion total for the remaining six months agreed upon between the two governments. The budget negotiations were conducted in East Berlin between the two finance and defense ministries. Talks on the eastern part of itemized plan 14 for 1991 are likely to be held as early as next month.

On 25 April 1990, the GDR ministerial council approved the DM 4 billion limit for the MfAV and NVA budgets for the second half of 1990. At that time, it called for the completion of a DM-based draft plan for the second half of 1990 and for its submission to the finance ministry by 18 June 1990. The MfAV was told that its budget for the first half of 1990 was not to exceed expenditures as of 30 June 1989. Following the upheaval in October 1989, the NVA planners were forced to accept the signs of the times: "As the administrative-centralistic planning system is relinquished, the role played by money increases and that, in turn, increases the significance of the budget and budget planning."

Initially, the political upheaval in the GDR made planning for 1990 impossible. The financial requirements contained in the 1990 draft budget of 31 August 1989 were no longer realistic given the upheaval itself and the consequences arising from it as they affected the structure, replenishment and equipment of the NVA. An

economic plan or government budget was neither completed, nor approved. In view of the new situation, the MfAV submitted a new draft budget for 1990 to the finance ministry on 21 February 1990; but the Volkskammer failed to vote on a new government budget. The government merely confirmed the MfAV draft plan as a working paper.

## National Defense

The 1989 GDR government budget called for expenditures on "national defense" totaling 16.2 billion marks. This represented a 3.4 percent increase as against 1988, i.e. national defense spending rose at a faster rate than overall government expenditures which increased 3.2 percent. The budget called for a four-percent rise in GNP. National defense spending also included costs not immediately tied to meeting the need to safeguard armed forces operability. In 1989, this included among other things:

- Some of the expenditures of the interior ministry on behalf of the since dissolved combat teams and the readiness units of the People's Police.
- Expenditures for of the Group of Soviet Forces West.
- Expenditures for the main administration for civil defense, for the Society for Sport and Technology [GST], as well as part of the expenditures for the construction of People's Army housing.

On the other hand, other itemized plans of the national budget included funds which were part of defense spending:

- Subsistence payments to dependents of conscripts called up for basic military service which were funded from the health and social welfare budgets.
- Expenses for induction stations which were borne by the local authorities.
- Expenses for military courts and the military prosecutor's office which were funded from the budgets of the GDR Supreme Court and the public prosecutor's office.

During the eighties, national defense appropriations increased in the following manner:

In Billions of Marks	1985	1986	1987	1988	1989
GNP	241.9	252.2	261.2	268.4	282.8
National budget	234.4	246.4	260.2	269.5	275.1
Defense spending	13.0	14.1	15.1	15.7	16.2

## Breakdown of Costs

On average, national defense spending increased 6.1 percent annually between 1985 and 1989. During the 1989 fiscal year, expenditures on behalf of the NVA and the MfAV totalled 12.8 billion marks. This represented 4.7 percent of the GDR national budget and 4.5 percent of GNP, or 783 marks per capita. In 1989, 35 percent of the NVA and MfAV budget went for investments and 65 percent for operating costs. Investment spending

included the procurement costs for technology and armaments, ammunition, missiles, explosives and protective gear, for R&D and construction, including housing. Operating costs included expenditures for personnel, supplies, uniforms, energy, fuel, water, operation and maintenance of technology and armaments, training, cultural services and pensions.

The 1989 budget was broken down into the following spending items:

- 39.4 percent for supplies, uniforms, energy, fuel, water, operation and maintenance of technology and armaments, training and cultural services.
- 29.4 percent for procurement of technology and armaments, including ammunition, missiles, explosives and protective gear.
- 24.2 percent for personnel.
- 5.3 for construction projects, including housing.
- 1.4 percent for pensions.

- 0.3 percent for R&D.

The appropriate breakdown for the FRG defense ministry and Bundeswehr budgets was contained in WEHR-DIENST No. 1224/90.

#### 1989 and 1990 Figures Compared

The principal items contained in the 1989 budget and the no longer realized 1990 draft were the following:

In Millions of GDR Marks	1990	1989
Expenditures	10,513.4	12,840.6
Revenues	733.3	980.0
Subsidies	9,780.1	11,860.6

#### Breakdown of Expenditures

In Millions of GDR Marks	1990	1989
Expenditures for materiel, technology	6,541.1	8,969.0
Personnel costs	3,402.0	3,279.5
Other expenditures for supplies and maintenance	570.3	592.1
Total expenditures	10,513.4	12,840.6

#### Breakdown of Revenues

In Millions of GDR Marks	1990	1989
Contributions and allotments to pension scheme	338.0	353.0
Use of manpower and resources in national economy	140.0	255.0
Sale of basic and consumer goods	190.7	281.0
Sale of secondary raw materials, waste products	16.8	15.0
Additional revenues	47.8	76.0
Total revenues	733.3	980.0

#### Expenditures for Materiel, Technology

In Millions of GDR Marks	1990	1989
Science and technology	102.1	56.5
Investment in special projects	284.1	473.6
Investment in housing	35.7	84.2
Building repairs	113.3	185.9
Special imports	1,993.6	3,653.3
Materials, equipment, consumer goods, industrial maintenance	3,040.6	3,449.3
Foodstuffs	256.1	289.2
Additional material costs	715.6	777.0
Of which:		
Energy, fuel	(282.2)	(293.0)
Water	(40.0)	(33.2)
Transportation, communication services	(195.4)	(226.9)
Total	6,541.1	8,969.0

**Personnel Costs**

In Millions of GDR Marks	1990	1989
Allowances for members of NVA	1,935.0	2,022.0
Wages for civilian employees	832.0	662.0
Other personnel costs	635.0	595.5
—Contributions to pension scheme	(163.0)	(175.0)
—Contributions to social security system	(52.1)	(41.5)
—Contributions to voluntary supplementary pension scheme	(10.6)	(9.2)
—Bonus fund for servicemen and civilian employees; cultural and social fund for civilian employees	(100.0)	95.0
—Pensions	(200.0)	(178.0)
—Travel and moving costs, separation allowances	(14.3)	(14.8)
—Additional personnel costs	(95.0)	(82.0)
<b>Total</b>	<b>3,402.0</b>	<b>3,279.5</b>

**Other Supply and Maintenance Costs**

In Millions of GDR Marks	1990	1989
Subsidies to industries with economic accounting system	79.4	41.5
Payments to social security system of contributions to pension scheme	33.8	33.0
Civic education, cultural services, sports	40.5	52.5
Training, advance training	44.2	43.2
Additional material expenditures	372.4	421.9
Care and maintenance; maintenance of building sites and movable material resources	(108.8)	
Honoraria, reimbursements, fees	(6.7)	
Subsistence allowances, production of topographic materials, user fees, rent	(256.9)	
<b>Total</b>	<b>570.3</b>	<b>592.1</b>

In converting the budget from GDR marks to DM as of 1 July 1990, the MfAV must apply the following coefficients to previous planning drafts:

- Personnel costs: 1.0
- Investment, repair, preservation of value: 0.5
- Materials, energy, fuels and propellants: 0.8

**Budget Planning**

The MfAV is going about its further budget planning with a great deal of uncertainty:

- At present it is hard to make firm estimates of resource requirements because major factors influencing any such decisions which are due to follow signing of the State Treaty are as yet unknown or difficult to predict. This applies to pricing trends, cuts in subsidies, social welfare cost trends, disarmament costs.
- The above to the contrary notwithstanding, the budget process is subject to severe constraints in the preparation of planning proposals in accordance with

Article 26 of the State Treaty, as well as fundamental considerations regarding further cuts of costs in all areas.

- As of the second half of 1990, the aim will be to determine and list disarmament revenues and expenditures as separate budget items.

**POLAND****Defense Minister Sees Warsaw Pact as Guarantee of Security**

90EP0738A *Gdansk DZIENNIK BALTYCKI* in Polish  
17 Jul 90 p 3

[Interview with Minister of National Defense Vice Admiral Piotr Kolodziejczyk by Kazimierz Netka; place and date not given: "We Cannot Be an Isolated Island"]

[Text] [Netka] Admiral, what are Poland's reasons of state from the point of view of the Ministry of National Defense?

[Kolodziejczyk] It is obvious that the Ministry of National Defense cannot follow its own reasons formulated for its own use neglecting the interests of the state or in isolation from them. The Polish Army is a national institution and the national interests expressed in the Polish reason of state are the foundation for everything which it does or intends to do. The contents of our defense doctrine reflect everything that derives from the Polish reason of state. Their major task is, in general, to guarantee the independence and the inviolability of the Polish state. We intend to meet them by defense and not offense. The Polish Army is prepared for action exclusively on its own territory; the essential needs for a sufficient defense determine its numbers and equipment.

However, the question whether we are capable of ensuring the security of the state independently or in conjunction with allies is crucial. If we can, with which ones, and on what principles of cooperation? The alternative to an alliance system is, simply, a plan of perimeter defense. It is very expensive, impractical, and in sum uncertain. Previously, we did not face questions of this type so explicitly; the guarantees of security derived from Poland's membership in the Warsaw Pact. Most probably that will be the case in the foreseeable future. Nevertheless, it is necessary to keep other solutions in mind. Europe is changing very quickly, and it is important that the effects of these changes do not surprise us.

[Netka] Exactly, given the current international situation can we leave the Warsaw Pact?

[Kolodziejczyk] Poland is a sovereign state and can make any decisions it decides are in its interests. I do not think, however, that such a decision corresponds to our national interests and would serve to enhance our security. I understand that there have been certain negative experiences. I understand that the GDR leaving the Warsaw Pact and perhaps also Hungary and Czechoslovakia is very suggestive. In examining security issues we should follow objective, independent criteria.

Thus, I also think that the Warsaw Pact, although its future shape is hard to foresee, continues to be the guarantor of our security. Until a system of European security is created, we should not question the need for our membership in this alliance. Especially since it is presently undergoing fundamental internal change. The role of both military alliances is changing; there has been a rapprochement between them. It is possible to see that this process will be enduring and will lead to the transformation of the Warsaw Pact and NATO into regional security alliances. These trends are worth supporting. I also think that we should strive for symmetrical reduction of forces in both alliances—the simplest way of achieving collective security—and thus the prerequisites for dissolving these military alliances is to pursue systematic disarmament as quickly as possible.

[Netka] What are the plans for the defense of Poland in this light?

[Kolodziejczyk] I understand that you are concerned with the philosophical framework of national defense rather than with the operational and tactical plans. Defense plans cannot be a collection of dogmas binding for whole decades. We must develop them in an elastic manner, especially the international situation, more accurately, the rapid changes in it have forced some corrections.

As I said, the plans for national defense cannot be based on the premise that we are an isolated island. We cannot use the type of solution, to paraphrase the saying used of Switzerland, Poland does not have an army, Poland is an army. There would be nothing worse than being isolated in a very difficult economic situation. We must take care then for our defense in an alliance. One trend with a future then is cooperation, trust, alliance. I would not define the boundaries of the alliance relations. A new Europe will liquidate many of the currently existing divisions. For natural reasons, however, alliances with our closest neighbors seem most appropriate. I am thinking primarily of the Soviet Union; good neighbor relations with that state are in the current and future interests of Poland. That is not just my view; many politicians with unquestioned international prestige have expressed similar convictions.

All Poles also face a question in relation to the German nation. History cannot be thrown out; it is necessary, however, to develop our relations in accord with the growing European tradition. For example, France and the FRG and also Poland and the GDR, in another sense, confirm that it is possible.

If then I had to respond to your question about Poland's defense plan, it is to build trust and cooperation, also in the military sphere, for cooperation and trust will be the best form of defense in the future Europe. We should use, in the good sense of the word, the central location of our country. It would be very bad if the European home were built separately by the West and the East, each alone. We should do it together. Poland has an opportunity to create bridges of understanding between the East and the West, which as experience shows, is a good investment in the security of our boundaries.

[Netka] Is closer association than heretofore between the military and its particular services and the appropriate sections of the civilian economy possible? For Example between the navy and the maritime industries?

[Kolodziejczyk] I do not think that is appropriate. I assume that each should perform his tasks. The duty of the military is precisely defined and taking on duties outside of national defense, including service and production functions as in the past, would not be beneficial. Obviously, I do not want to exclude cooperation. It is quite desirable whenever and wherever it is associated with national security.

[Netka] I asked the previous question because one can get the impression that the value of a maritime industry is underestimated in Warsaw. You represent this region

in the Sejm and the issues which still remain to be resolved, for example, protection of the water resources of the Baltic, combatting pollution of the sea. In particular, a whole package, of still planned, unfortunately, maritime laws. What is your opinion on these issues as a deputy?

[Kolodziejczyk] I know the problems of the Gdansk region well. I agree that there is an urgent need to introduce legislation to regulate the maritime industries. I can assure you that as a deputy I will do everything to have that happen as soon as possible. [Netka] Thank you for your comments.

## BULGARIA

### Export-Import Regulations, Duties for Consumer Goods Enacted

90BA0182A Sofia DURZHAVEN VESTNIK  
in Bulgarian No 47, 12 Jun 90 pp 2-3

[Decree No. 59 of Council of Ministers, People's Republic of Bulgaria, dated 4 June 1990 and signed by Chairman of Council of Ministers Andrey Lukyanov and Chief Secretary of Council of Ministers Pancho Burklov: "Schedule of Duties on Exports and Imports by Natural and Juridical Persons"]

[Text] The Council of Ministers decrees as follows:

#### Article 1. (1) It hereby adopts:

1. A schedule of duties on goods exported and imported by natural persons—Appendix 1.
2. A list of goods banned for export by natural persons—Appendix 2.

(2) Goods imported by native natural persons for personal and family needs and not indicated in Section II of the Schedule of Duties on Goods Imported and Exported by Natural Persons pursuant to paragraph 1 shall be duty-free.

(3) Natural persons who are not engaged in economic activity regulated under the established procedure may not export or import goods in commercial quantities.

**Article 2.** In the export and import of goods by natural persons, the dutiable value shall be determined by the retail price in Bulgaria, and, for goods that are not included in the published price lists, shall be determined in accordance with an ordinance issued by the minister of finance.

**Article 3. (1)** The Main Customs Administration shall improve the control of goods exports by foreign and Bulgarian citizens, opening temporary customs control points if necessary.

(2) Customs agencies shall halt the journeys of Bulgarian citizens taking out goods under export ban or of commercial significance.

(3) To restrict speculative trading in imports, customs agencies may introduce a deposit or other cautionary measures in the event of the transit transport of goods by natural persons on the conditions and according to the procedure stipulated by the Main Customs Administration.

**Article 4. (1)** Native Bulgarian natural and juridical persons may import motor vehicles on payment of duties in an amount as follows:

1. Newly purchased vehicles—10 percent.

2. Vehicles with original registration date under five years—20 percent.

3. Vehicles with original registration date under 10 years—30 percent.

4. Vehicles with original registration date over 10 years and vehicles with two-cycle engines—50 percent.

(2) For vehicles that have a built-in, technically serviceable catalyst system for exhaust gases, the duty indicated in subparagraphs 2, 3 and 4 of the preceding paragraph shall be reduced by 10 points.

(3) The dutiable value shall not include depreciation of the vehicles or spare parts for them.

(4) The dutiable value of vehicles imported by juridical persons shall be determined in accordance with the procedure in Article 80, paragraph 1, subparagraph 1 of the Regulations on the Application of the Customs Law (published in DURZHAVEN VESTNIK, No. 12/1975, amended in No. 49/1978, No. 81/1988 and No. 34/1990).

(5) The procedure for establishing the original registration year shall be defined by an ordinance issued by the minister of finance.

**Article 5.** The duty-free import of up to two automobiles is permissible for persons immigrating into the People's Republic of Bulgaria if these vehicles were registered in their name prior to the date of immigration.

#### Transitional and Final Provisions

**Section 1.** The following acts of the Council of Ministers are hereby rescinded:

1. Decree No. 33/1988 (published in DURZHAVEN VESTNIK, No. 81/1988; amended and supplemented in No. 96/1988).
2. Decree No. 26/1989 (DURZHAVEN VESTNIK, No. 45/1989).

**Section 2.** Vehicles of socialist make, purchased in socialist countries prior to the entry into force of this decree, shall be subject to duty in accordance with the rescinded schedule.

**Section 3.** The implementation of this decree is entrusted to the minister of finance and to the minister of trade and services, who shall issue instructions for its enforcement.

**Section 4.** The decree shall enter into force 30 days after its publication in DURZHAVEN VESTNIK.

**Appendix No. 1 to Article 1, Paragraph 1, Subparagraph 1**  
**Schedule of Duties on Goods Exported and Imported by Natural Persons**  
**List of Goods**

**I. Export Duties**

**Goods Exported From the People's Republic of Bulgaria Shall Be Subject to a Duty of 300%**

**II. Import Duties**

		<b>Amount of Duty</b>
1.	Stoves, installations, and systems operating on liquid fuel—petroleum derivatives and gas-distributing systems for motor vehicles	60%
2.	Coupes and motor-vehicle frames	60%
3.	Gas stoves, rings, and boilers	10%
4.	Video equipment (excluding videocassettes)	10%
5.	Watercraft	10%
6.	Musical devices and components thereof	10%
7.	Musical instruments (including mixing and sound-modifying equipment)	10%
8.	Electronic games (excluding portable ones for home use)	10%
9.	Coffee makers and mixing and refrigerating equipment for nonalcoholic beverages	10%
10.	Confectionery equipment	10%
11.	Instruments and systems for diagnosis, regulation, and maintenance of motor vehicles	10%
12.	Supplies and raw materials for production of goods and services for the population	10%
13.	Motor vehicle parts, not including those indicated in subparagraph 2	10%

## Notes:

1. Unless otherwise expressly indicated in the schedule, parts are dutiable at the rate for the object for which they are intended.
2. Goods that are dutiable under different clauses shall be subject to duty under the clause with the higher duty.
3. Passengers may export duty-free items with a value under 100 leva, excluding those mentioned in Appendix 2.
4. Goods purchased by specialized stores for sale in return for foreign currency shall be duty-free.

**Appendix No. 2 to Article 1, Paragraph 1, Subparagraph 2**  
**List of Goods Banned From Export by Natural Persons**

**I. Foodstuffs**

1.	Meat and meat products
2.	Milk and dairy products
3.	Beans and lentils
4.	Flour and semolina—all kinds
5.	Sugar
6.	Cooking and other vegetable oils
7.	Imported foodstuffs and condiments (including coffee and cocoa)
8.	Baby food
9.	Rice
10.	Red pepper—crushed
11.	Cereals and products thereof
12.	Sugar products
13.	Canned foods
14.	Margarine
15.	Late potatoes
16.	Sunflower seed for bird feed
17.	Clothing and shoes

**Appendix No. 2 to Article 1, Paragraph 1, Subparagraph 2**  
**List of Goods Banned From Export by Natural Persons (Continued)**

2.	Fabrics
3.	Bedsheets, pillow slips, and lingerie
4.	Blankets—all kinds
5.	Knitwear—all kinds
6.	Vacuum cleaners
7.	Clocks for double-rated electric meters
8.	Water meters
9.	Cables and conductors
10.	Linings
11.	Bathrobes and Turkish towels
12.	Men's and women's ready-to-wear made of woolen fabrics and a mixture
13.	Shoes—all kinds
14.	Electric stoves
15.	Electric radiators
16.	Refrigerators and freezers
17.	Paints and lacquers—all kinds
18.	Wool and woolen yarn
19.	Real leather and products thereof
20.	Cleansing agents and laundry detergents

**Appendix No. 2 to Article 1, Paragraph 1, Subparagraph 2  
List of Goods Banned From Export by Natural Persons (Continued)**

21.	Brass fittings—household
22.	Jar lids

Notes:

1. The ban does not apply when the goods set forth in the list are purchased by specialized stores for sale in return for foreign currency.
2. Natural persons may take out, duty-free, consumer items (meat and dairy products, imported foodstuffs, and baby foods) needed during their journey to their destination.
3. Even from among items under export ban, natural persons may take out used ones for their personal and family's use by making a deposit of the duty. The deposit collected shall be refunded by the customs to the persons who return to the People's Republic of Bulgaria with items they had taken out.

### Fate of Defense Industry Viewed

90BA0195B Sofia DUMA in Bulgarian 24 June 90 p 4

[Article by Yuriy Popov: "Conversion—A Crutch or a Cure for the Crisis"]

[Text] According to the program of Andrey Lukanov's government for coping with the crisis, conversion of the defense industry will contribute to improvement in the ratio of production of means of production to production of consumer goods in that goods representing "approximately 490 million leva" will be produced for public consumption. To persons familiar with the potential of so-called special production, the special role assigned to it is anything but modest. As a matter of fact, in May the government adopted a program for conversion by 1995 and also passed a special resolution whereby a certain amount of financial assistance is provided for companies making the transition to civilian production. These are truly positive steps toward enlisting this solid part of our economy in solving difficult economic problems, but they represent merely an opening of the door, a faint hint of what can be done by "special production," something that up to the present has been kept outside the information flow.

The eagerness of a number of economic managers to incorporate some of the military plants into their companies is quite understandable. These plants are renowned for their precision machinery and up-to-date technologies, experienced personnel, and a high degree of organization and discipline. These are things unfortunately lacking in a large part of Bulgarian industry. Surely all this should not be lost or allowed to fade away. Would it not be better for these enterprises to preserve their traditions, their atmosphere of high standards for personnel and product quality, and for them to be criteria that other enterprises should try to meet?

There is a certain amount of inertia in thinking that the former military plants can fill department stores with scarce commodities such as kitchen ranges, washing machines, and vacuum cleaners, or at least with saucepans and frying pans. They unquestionably have this capability, but this is not the best way of utilizing such solid production potential. These enterprises could assist

in carrying out a crisis abatement program with much more serious production. The NITI Company in Kazanluk designed and produced sausage-manufacturing lines in a very short time. These lines can be retooled to turn out 11 types of sausage. This is only one example of how the production potential developed for "special production" can be rapidly and efficiently incorporated into the process of restructuring and technological renovation of Bulgarian industry and orientation of this industry toward products yielding lasting social results. We need machinery for the textile industry, agricultural equipment for small farms, and so forth. One modest study of the domestic market shows that at least 200,000 mowing machines powered by electric motors are needed for individually owned farms.

But it is not merely a question of the domestic market. Former plants can manufacture telecommunications equipment, prosthetic appliances, and a number of other articles in which use can be made of the potential for production of electronic and mechanical articles and assemblies, improved technologies, and scientific potential.

As a matter of fact, enormous untapped potential exists in this area. A number of scientific achievements in the past were kept secret in order to be used at the proper time, but this time never came. Conservative scientific thinking yields no benefits. Like money, it needs movement in order to be reproduced and enriched, and itself to enrich. And what are we to say about the large number of small laboratories in higher educational institutions working under contract with the defense industry? As a matter of fact, they have profited from this activity, but their output has had very narrow application. Now it is time for them to be expanded.

The question may naturally be asked of the status of the new companies created on the basis of the defense industry. Will they be affected by privatization, and how will they be developed? It is entirely normal for them to continue to operate as government-run companies, but with great freedom of action, with the ability to establish branches and daughter companies, to dispose of a sufficient amount of earnings for new investments, and to channel capital at the proper time in profitable directions. At the same time, their belonging to the government will assure them of the sufficient minimum of output for production purposes that no government rejects.

When talk of conversion began, it was feared that many experienced workers and specialists would be out of a job. These fears are gradually waning now. The example of NITI in Kazanluk shows that the number of employees in this company has increased approximately 10 percent, not because of compassion for persons laid off by other other enterprises but because the need for new personnel has actually been created. As regards specialists, there is a strong orientation toward engineering activities in this personnel category.

One danger does exist, however, when the defense industry is switched to a civilian track, and this may be the greatest one. It is the danger that the path of amateurish operation, fanciful activities, and piecework may be followed. It is true that the minister of industry and technologies has been assigned the task of coordinating the program, but is this enough? Has an overall view of the conversion and of development of enterprises by experienced economists, mathematicians, and engineers evolved?

A legal foundation for this development is also needed, a law on conversion providing the framework and the legal guarantees for the most efficient possible utilization of this great untapped potential.

**New Bulgarian Airline Company Established**  
**90BA0195A Sofia DUMA in Bulgarian 24 June 90 p 1**

[Article by Plamen Enchev: "Champagne for the First Jet of the Joint-Stock Company Air Via"]

[Text] A white airplane with lettering on the body and tail that had not been seen before landed at Sofia airport yesterday evening at 1820 hours.

The green and purple block capital Latin letters spelled out VIA. Below them was the Latin motto "Via est vita" (freely translated: "Life Is a Journey").

The first airplane of the new joint-stock company Air Via has landed at the airport in the capital. Its founders and stockholders are the commercial Balkan Bank, Interbalkan, and several individuals who also hold stock in the company.

"Our company was founded and registered several days ago," stated its general director, Ivan Marangozov. "This is the first of five Tu-154M aircraft with which we are beginning operations. The plane flew directly from the plant in Kuybyshev by way of Moscow. This model meets European and world standards and is even less noisy than standards require. By 2010 it will meet ICAO [International Civil Aviation Organization] noise-abatement standards. We are entering the charter business to carry groups of people to service tourist facilities and to fly some cargo flights."

As we know, Bulgaria has more pilots per capita than do some developed countries. Some of these people are currently unemployed, at a time when more than 2,000 pilots are needed for civil aviation in Europe alone. The new stock company will make the best possible use of the experience of Bulgarian crews and, according to its founders, will generate earnings exclusively in convertible currency.

Air Via is negotiating with other organizations that might want to obtain stock in the company. The amount of 15 percent of the capital has been set aside as a block for worker shares.

Even now it is possible to speak of division of labor in the aviation business in Bulgaria. While the Balkan Airline as a government-run concern operates primarily over regular routes, Air Via does not compete with it, but will rather go into the new charter market. For the time being, attention is concentrated on the Middle East, but the presence of Australian businessmen at yesterday's "christening" of the company suggests other directions of future activity.

In addition to charter business, the new company will pursue leasing but will lease planes together with crews and maintenance personnel. This is somewhat more convenient for countries without a developed aviation system.

The traditional bottle of champagne was broken on the axle of the first Air Via airplane. "Life is a journey," and, with this as its motto, the new company expects to compete in the charter business with its sister companies in Europe and throughout the world. A market study conducted a year ago holds out hope of success.

**CZECHOSLOVAKIA**

**Donated Czech Beef Deemed Radioactive**

**90AF0498Z Lusaka TIMES OF ZAMBIA in English**  
**7 Jul 90 p 1**

[Text] National Import and Export Corporation (NIEC) has rejected the Czechoslovak Government's claims that tinned meat donated to Zambia two years ago had no radioactive contamination and that it was tested and found to be radioactive immediately after arrival in the country.

The Czechoslovak Government has refused to accept back the consignment of 2,880 cases of the contaminated beef which will now have to be destroyed within Zambia as soon as a suitable site is found.

NIEC managing director Cde Patrick Chisanga in a Press statement said in Lusaka yesterday that the meat had been tested by the National Council for Scientific Research [NCSR] upon arrival in Zambia and was found unfit for human consumption because of the radioactive poisoning.

The consignment could not be put on sale immediately because it was not labelled. NIEC contacted the Zambia Bureau of Standards who advised that the meat be examined by NCSR.

According to the report by NCSR, the beef measured radioactivity although it may be below some countries' maximum permissible limits based on risk and cost effective analysis.

This meat, the report says, was likely to be contaminated with other radioactive matter which, if left to accumulate, resulted in the deadly disease, leukaemia.

Cde Chisanga said several meetings were held with the Czechoslovak embassy officials since July 1988 to resolve the matter but all the meetings had been inconclusive.

He said officials from the embassy had even toured ZCBC and Mwaiseni stores and it was agreed the consignment was well stored.

"It was clear from the foregoing that the presence of the disputed tinned beef from Czechoslovakia in NIEC group coldrooms is as a result of developments outside NIEC's immediate influence."

NIEC could not unilaterally dispose of the beef without approval of the Government and other relevant organs, hence the prolonged period the meat has remained in NIEC's custody.

He said recommendations have since been lodged with relevant Government authorities advising on possible options on how the condemned beef could be safely disposed of.

The Geological Survey Department and the Ministry of Health have been looking for a possible site near Lusaka to dispose of the meat without endangering people's lives.

Press secretary at the Czechoslovak embassy, Mr Denek Dobias said last week that the meat donated two years ago was free of radioactive contamination but got a bacterial infection in Zambia because of poor storage.

Mr Dobias had expressed surprise at Zambia's insistence that the meat was contaminated when "experts" had established it was safe following initial complaints to the Czechoslovak Government.

The scandal of the condemned meat was exposed last week after the food riots in the capital when 200 cases of the consignment stored at a NIEC shop in Mandevu was looted.

The rest of the consignment is stored at ZCBC Cairo road store, ZCBC distribution centre in Ndola, NIEC stores in Cairo road, Kabwata NIEC store and NIEC distribution centre.

## HUNGARY

### Debit Card Company Established

90CH00210A Budapest FIGYELO in Hungarian  
17 May 90 p 11

[Article by A.G.: "First Domestic Debit Card Company Established"]

[Text] When a persons starts a business, he begins on a small scale. And when his idea and system have proven sound, he increases his investment by one order of magnitude. The Dunabank Corporation introduced the Duna debit card six months ago. That divided the

financial fraternity into two camps: fans for, and fans against. But the bank's present action will foreseeably evoke a uniform response: a good old Hungarian fans-against reaction. Namely, the bank has established the first domestic debit card company in Hungary, with a capital stock of 140 million forints, greater by an order of magnitude than the assets against which the Duna cards have been issued.

The First Debit Card Company's purpose is to radically improve the financial infrastructure, primarily by increasing the number of cardholders, and the number of participating retailers accepting the cards. Under this program the range of services will be expanded. About 500 points of sale will be equipped with debit-card readers, which will make paying for purchases and issuing sales receipts much faster than with the old debit-card duplicators. The debit-card readers will be able to read the information stored on the card's magnetic tape and chip, respectively. Add a computer to the debit-card readers, and they will be able to tally all the items purchased with the card, and to transmit the information to the bank's main office.

### Credit and Debit Cards per Capita

Country	Cards
United States	4
Japan	2
Great Britain	1.3
France	1.0
FRG	0.5
Hungary	0.002

The established company is a closely held one for the time being. But within a month or two, under the conditions that will have been worked out by then, the company is expected to become an open one also internationally. After all, Price Waterhouse is its auditor. In other words, Dunabank is not abandoning its original plan, which has not come to fruition despite three months of talks with the other banks, to form a National Debit Card Company, rather than the First Debit Card Company. But Dunabank found that the other banks, fearing their market shares, were using stalling tactics to block the supply of information. Instead of further talks with the banks, which would have taken at least another three months and the outcome would still have been uncertain, Dunabank decided on quick action that it itself could take.

### Characteristics of Dunabank Debit Cards

Number of cards	4,002
Number of participating firms	1,747
Value of average purchase (in forints)	2,410
Average deposit per card (in forints)	21,806
Billing complaints (in percent)	0.9

Thus, instead of joint action by the banks to create a financial infrastructure that would speed up monetary circulation, in our country we can expect each bank to develop its debit-card business in parallel with the other banks. In the end, debit cards may prove to be a good business. But one thing is certain: that business is not being developed for the customers' benefit.

## POLAND

### Privatization: Government, Parliamentary Bills at Odds

90EP0675A Warsaw *POLITYKA* in Polish No 23, 9 Jun 90 pp 1, 16

[Article by Andrzej Mozolowski: "Snowballing Capital"]

[Text] Who would have dreamed that in 1990 AD, during the rule of premier Mazowiecki, under the privatization program a private property would be socialized, and—heaven forbid it should really happen—an American property, at that.

Eugeniusz Radzikowski, president of Justyna Fashion Studio (a foreign company), in a state of nerves, writes to the mayor of Warsaw as follows:

"Early in 1989 we signed an agreement with the Warsaw Domestic Trade Enterprise (SPHW) by virtue of which we received, for our use, shop space located at 64 Nowy Swiat St. The agreement provided that we would do the necessary remodeling to make a modern shop out of this space, install nice fixtures, and after the shop is opened, ensure a steady delivery of attractive goods of our own production. We would recruit, hire and train our own staff. Our company fulfilled all of these conditions and we opened a modern, attractive shop in Warsaw. To do this, we spent approximately half a billion zlotys of our own money.

"Hardly six months have passed and it turns out that all of this is invalid; on the strength of a single decision we may be deprived of what we created. It seems that the privatization of trade, as it now stands, makes it possible for the employees of a shop, who never spent any money or effort to establish it, to take it over."

To continue, the writer attempts to understand, which he cannot, how it is possible to privatize, or really change into a cooperative, i.e., socialize, property which is indisputably private. And also "how is it possible to ignore a legally signed and executed agreement and why is decision No. 15, dated 29 March 1990 and still in effect, which excludes our shop and others like it from the possibility of privatization by the workforce, not being honored? Why does no one in authority want to take a clear position as to the future of our operation?"

The mayor, newly elected, will have more such difficult problems to deal with. Identical demands are being made by another important garment producer (700 employees): Dantex, a private enterprise with foreign

capital, which opened a shop on the same principles as Justyna Fashion Studio, and now "According to information coming to us from SPHW and the Downtown-Warsaw District Office, as well as from the employees themselves, this shop is to be privatized and taken over by an employee-formed company—the same employees whom we hired no more than two months ago!"

### A \$100,000 Present

And now another matter, in which hundreds of millions of dollars—almost a billion—are at stake: The International Finance Corporation (IFC), an organization affiliated with the World Bank, in the fall of 1987, granted the Central Horticultural and Beekeeping Cooperative credit in the amount of DM29 million for the development of processing. This was the first credit granted to Poland after the imposition of martial law, and what is especially important, it was granted by one of the world's most important financial institutions. With this credit, HORTEX (a cooperative) built a large, modern cooling and freezing plant and planned the construction of another 16 plants. The fruit growers, horticulturists and beekeepers keep a sharp eye on their business and know where money can be made; farm-product processing and freezing is a highly lucrative field and the underdevelopment of this field is acutely felt in Polish agriculture. Unfortunately, the credit agreement contained a clause which stated that the Central Horticultural Cooperative may not change its ownership structure without the consent of the IFC. Without this consent, the credit agreement is invalid and what has already been taken must be returned.

Meanwhile, the Central Cooperative, along with other cooperatives structures, was liquidated and HORTEX was left hanging in a vacuum.

The highly perturbed IFC wrote from Washington to our minister of finance and deputy premier as follows: "Dear Dr. Balcerowicz (...)" And reminds him politely but firmly that the change in HORTEX's ownership without the consent of IFC is in conflict with the agreement, and underscores that "we want to continue our cooperation with HORTEX", and expresses the belief that if matters have already gone that far then it would be best to form a holding company in place of SPHW, and that HORTEX "...should not be split into individual companies but remain one large company with its management in Gora Kalwaria." Mr. Anthony Doran, from IFC, most visibly somewhat confused by the Polish lack of concern with the reorganization which he is witnessing, finally suggests that if the ministry of finance so wishes, the IFC could consider its participation as an adviser in this reorganization, or even as a possible partner in the company.

The matter appeared to be heading toward a happy ending when an employee protest broke out in the

HORTEX plants (widely covered in the press and television). The employees stated that it is "their work—their plant", so they will take it over themselves and will not allow any nomenklatura companies to be formed. And they quickly began to establish a labor cooperative...

Ignoring the fact that there could be no talk here about any kind of nomenklatura because among the participants of the intended company there was not even one individual but only cooperatives, which had a membership of 300,000 horticulturists, fruit growers, and beekeepers—such demands are clearly ridiculous. The HORTEX plants were built and equipped from money earned by the above-mentioned farm producers, and from credits (primarily foreign) which were being honestly repaid, together with interest. They must remain in cooperative hands, i.e., in the hands of some horticultural cooperative group (the law does not permit a cooperative to be converted into a company). In no case should they fall into the hands of people who formed a cooperative ad hoc in order to appropriate cooperative assets.

Second, and here we are sailing into the deep waters of the privatization of the Polish economy, made turbulent by demands that plant assets be distributed, in various forms, to the people employed in that plant. In the case of HORTEX, this would be giving a 10,000-employee workforce assets belonging to someone else and worth about a billion dollars, i.e., each employee would get \$100,000 for nothing....

But that is not the only point. Even more dangerous in its effects is the logic by which a hired worker, simply by the fact of his employment, obtains the rights of ownership to the fixed assets of his plant. What would be the consequences of such thinking? Simply this: In a couple of years the owners of privatized factories, farmers employing hired hands, private sales, transport, etc., enterprises, would be the target of demands from their employees to: "give this back to us, because it is ours!" Anarchistic bolshevism...

The writer's fantasy? Not at all. It would simply be the expression of the same demanding attitudes prevailing in a large part of society today, similarly directed at the owner of the production means, except that it would be a different owner. The examples cited at the beginning of this article prove that something like this can happen even today.

#### **Capitalism Without Capital**

And here we come to the great discussion on the privatization of state-owned assets, possibly the most important condition for the advancement of Poland to the category of countries with an efficient market economy.

In the Sejm, probably the eleventh version of the government draft of the privatization laws, plus the deputies' counterdraft, is being intensively worked upon. And this is very good. The material has turned out to be so difficult and replete with so many unknowns, and the

decisions made will have such enormous consequences, that the greatest care and consideration are essential here. The deputies from the relevant subcommission have finally acquiesced to the government draft: the counterdraft is to be regarded as auxiliary material.

Why do we want to privatize the economy? There is almost universal agreement as to this: a private economy is much more efficient. Without it we will never dig ourselves out of the hole. Actually, the whole world has reconciled itself with this superiority of the private over the state. The opposite processes, i.e., the nationalization of the economy, are now taking place only in the developing countries, those striving to free themselves of foreign capital (Mexico, Brazil, Tanzania, etc.); in those countries what is foreign is being nationalized, or new state enterprises are being formed in opposition to foreign monopolies. Of course there are instances of state enterprises operating efficiently and productively in such highly developed countries as Italy and France, but they owe their good condition to the fact that they are small islands on the sea of a highly competitive private economy which compels them to follow market rules.

The difficulties which the Polish reformers are encountering and will continue to encounter are expressed by the only slightly exaggerated statement of deputy Janusz Lewandowski: Our privatization is the selling of property belonging to no one, of unknown value, to people who have no money. I would add to this the following: We want to do this quickly, and also, fairly. Therefore, capitalization without capital and efficiency without unfairness, are contradictions which are not strewing Minister Krzysztof Lis' road to privatization with roses.

We have already started on this road, somewhat frantically (as seen from the examples cited earlier), waiting for laws that will take on a still-unknown final form.

One thing seems almost certain: Directing the processes of putting state assets into private hands was entrusted to a ministry of ownership conversion, formed for this purpose (according to a modified government draft).

It is highly probable that privatization of state enterprises will take place, depending on circumstances and the desire of the workforce or the parent organ, in very diverse forms: either by forming a limited liability company (with or without foreign capital), or a stock company. The company employees could buy part of the stock (e.g., 20 percent) on very easy terms, and the remainder could be purchased on terms making them accessible to everyone (both individuals and legal entities).

However, if a state enterprise is liquidated, its parent organ can sell it (in part or in whole), add it to a company, or lease it either to a company or a cooperative formed by the workforce on the "ruins" of its enterprise.

**Rationed Freedom**

Some deputies are attacking the government draft, maintaining that its implementation will bring about the elimination of self-management in an enterprise (in practice, the company's supervisory council would assume its rights), while the issuance of large quantities of stock for outside sales would result in the accumulation of fortunes by the former nomenklatura and the most affluent, at present, representatives of private sales and services. That is why the deputy's counterdraft, the so-called self-management draft, written by Profs. H. Izdebski and K. Ludwiniak, provided that ownership would be put in the hands of the employees of a privatized enterprise in the form of an employees' stockholding plan. The writers of the draft patterned this after the ESOP (Employee Stock Ownership Plan) used in America.

This draft, in brief, provides that enterprises would be put into the hands of their employees by supplying them with stock obtained on very easy terms (long-term credit), through an employees' ownership fund. Thanks to this, employee stock ownership would permit rapid privatization of even large enterprises with multbillions of assets, by a workforce which has no money. That is why the authors of the draft call their system a "shortcut." It would allow the entire enterprise to be put into the hands of its employees, creating a closed intraplant circulation of stock. Control over the stock would not leak to the outside; it would remain in the hands of the employees. Hence the name of the draft, "self-management." Its advantages: quick and fair privatization, general availability of stock (a similar citizens' stockholding would function for employees in the budgetary sphere).

The most radical advocates of social justice are going still further: They are demanding that the stock be distributed free of charge.

The advocates of the government draft argue that restricting stock sales to employees will make it impossible for a securities market to be established (and the opening of a securities market is already planned for next year), and what kind of justice would it be if some people would take over huge enterprise assets for a pittance, while others, in a poor enterprise, would get the crumbs. Also, the statements made by businessmen that self-management in a plant will frighten away capital and that, as was said at a conference at the Krakow Industrial-Trade Chamber—"most of the self-managements represent a scandalous level," their members have no qualifications, and often professional managers are mindlessly removed, contrary to economic reason. Yet the participation of the workforce in management can be assured, as the government draft provides, by guaranteeing it 20 percent of the stock, and its representatives would be guaranteed, by statute, membership in the company's supervisory council, because one-third of its members would be elected by the employees.

As to the tempo of the privatization process, the government believes that if it assists the stockholders with cheap credits, if the price of the stock makes it accessible to everyone (e.g., the stock of Universal is priced at 20,000 zlotys), the capitalization will proceed faster and faster, and the profits obtained will multiply the capital, and according to Minister Lis, a "snowball effect" will have been achieved. As a result, privatization of large enterprises will be accomplished in 10 to 15 years.

Another seriously considered project should be mentioned: Giving all citizens Republic of Poland bonds, so-called participation coupons, entitling them to obtain stock in enterprises in a few years. The distribution of part of the national assets in this way would be a very fair solution, because no one would be omitted, including farmers, retirees, professionals, etc. The coupons would also enable privatization to proceed rapidly.

However, where is the justice if everyone were to be given the same amount—a retiree who all his life worked to build the national assets, and a youngster who has not yet worked anywhere and is being supported by his parents? A very complicated and controversial differentiation would have to be made: how much should be given to children, to students, how much to people who are young, middle-aged, and old, how much to unmarried women, how much to married women, and how about the housewives, and the unborn children—nothing for them?!

Even after such assessments are made, to the general dissatisfaction of everyone, the whole business would produce sad results because it is clear that a large part of the citizenry would instantaneously dispose of the bonds and the avalanche of such securities on the market would make them immediately worthless. Furthermore, we might send inflation upwards.

Well, that is how it is, has been and will be. In the economy the "social justice" virus, whose principles have been applied to us for more than 40 years, consumes all effectiveness of action, and ultimately ends in a parody of justice.

**Are We Ready?**

One does not have to be a great sage to predict that the law on privatization, as well as the second law on the appointment of a minister for ownership conversion, will be based on the government drafts, although certainly this will not take place without strong protests from the opposition. And also that they will be passed next month, if the parliamentary opponents do not succeed in dragging on the matter until the (well-earned) Sejm recess.

However, in addition to good laws, good intentions are also essential. Do we really have them?

Polls show that people think well of private ownership. Privately owned is better than state-owned, say two-thirds of those polled. Almost everyone believes that a

private owner would increase the enterprise's efficiency, do away with poor management, employ only qualified people, etc. Nevertheless, this social hunger for a private economy suddenly comes to an end when it applies to the enterprise in which the polled individual is employed. The new owner, most people believe (not without reason), would fire superfluous employees and would wage war with the trade unions; all in all, the persons polled believe, a state director cares more for people than a private one, who cares more about the enterprise—and for this, after all, he cannot be liked. Those polled would not like either a foreign company or a domestic company, or even a state-private company (52 to 59 percent of the replies are "no" and 26 to 31 percent are "yes"). Only one form of ownership would be welcomed: a stock company owned entirely, or at least in the majority, by the employees. But when the treacherous questionnaire asks whether the person polled would buy stock in his own enterprise, the majority (57 percent) would not make such a rash move.

Which shows that many employees in "endangered" enterprises have suddenly fallen in love with their state-owned plant, and Minister Lis may encounter great difficulties in these enterprises. What then?

Well, nothing. Nothing can be done by force. All that can be predicted is that these enterprises will not withstand the competition and will bankrupt in a couple of years, at which time anyone who wants to will buy them—for pennies, and no one will ask the workforce's permission.

But what happens in the case of a monopoly?

The government draft has a remedy for this too. The parent organ, having obtained the approval of the ministry for conversion, may put the enterprise into liquidation, as I mentioned at the beginning, and sell (to private owners) the small components of its assets: stores, workshops, individual plants, machines, buildings, etc. Anyway, this process has already begun (an example is Prasa-Ksiazka-Ruch Workers Cooperative Publishing House), and will end, I think, with the total takeover of commerce, trades-crafts, services, restaurants, and small and medium-size industry, by the private sector. This is the so-called small privatization, but it can also be called "large" because of its scale. It appears to be especially valuable because, as distinct from stockholding, it breeds thousands of active entrepreneurs.

Of the difficulties piling up during the process of making ownership changes in Poland—difficulties such as a shortage of capital, a recession, lack of a decent banking system, a wretched communications system, etc., I regard as the most serious the social consciousness, produced during the decades of real socialism, in which the desire for affluence is linked in some strange way with egalitarianism, and the sense of civic duty has dissolved completely into the belief that "the government owes me a living"; all of this is garnished with a decent-sized portion of traditional, highest prewar quality envy.

Meanwhile, privatization must bring about a multiplication of owners; the small entrepreneurs will grow into big ones through the snowball effect. Fortunes must grow; already today hundreds of private entrepreneurs are conducting multibillion zlotys operations. The newly rich like to boast about their possessions, and the ostentatious display of big money will soon appear in the form of Rolls-Royces, mink coats, etc., the attributes of material success. Which, unfortunately, cannot be avoided and which will drive the "normal" person to cold fury. This also can be often exploited for political purposes, which helps neither stabilibization nor the development of the country.

The only consolation is that every one of us, if he desires, will buy stock for a measly 20,000 zlotys and thus also become an owner.

#### Disparity in Current Coal Prices, Extraction Costs Detailed

90EP0728A Warsaw GAZETA BANKOWA in Polish  
No 27, 1-7 Jul 90 pp 8-9

[Article by Barbara Cieszewska: "Money and Coal"]

[Text] Polish mining remains a great economic paradox. Sixty percent of all energy generated in our country is derived from burning hard coal; meanwhile, its mining continues to be incredibly unprofitable. The 9.6 trillion zlotys allocated for subsidies to mining for this year are definitely an insufficient quota. In the four months of this year, not a single mine has turned a profit. All together they have lost about 300 billion zlotys.

We are switching to a free-market economy; therefore, maintaining unprofitable enterprises is out of the question, but for now the mines cannot be closed down, at least not all of them.

#### What Do We Do?

Increase the price of coal or, perhaps, decontrol it entirely. Let the right of supply and demand decide, as is the case throughout the world. The miners say: And what if the prices fall? Will the mines go bankrupt before they live to see changes and a price increase?

The reform of mining began with making the mines independent. At the beginning, 23 of the best performing mines were selected which, according to all projections, could become truly independent, that is, self-financing. The PEW's [Coal Mining Enterprises] (previously associations), a typical intermediate element in a centralized system that the miners disliked greatly, were liquidated. The miners had fought to have them liquidated for a very long time. By now, they hardly remember the PEW's. The conglomerate, which was likewise disliked, to put it mildly, was placed in liquidation. The management was changed in order for miners to be able to somehow bear the last months of the operation of the

conglomerate. Directors were appointed from among individuals who had been booted out of their jobs under martial law.

What happened after these initial changes? Everybody was fascinated with the long-awaited reform of mining. At present, with the hindsight of five months, it appears that despite the good intentions of both sides, the government and the miners, neither one was prepared for this accelerated independence. It should also be kept in mind that the entire operation coincided in time not only with the Balcerowicz program but also with a mild winter, that is, with the resulting drop in demand for coal. In April, Minister [of Environmental Protection and Natural Resources] Kaminski made his contribution by imposing penalties for pollution with sulfur, and all of the above sufficed to drive mining into bankruptcy.

In January, only three mines managed to generate certain small profits, which were quite illusory anyway, as closer scrutiny revealed. They simply resulted for the most part from refraining from any purchasing because the mines still had material stocks dating back to last year. However, this could not last long. Two months later, all the mines were in the red. By March and April, these losses became fixed for good. Thus, the assumption that 23 mines may be independent turned out to be a complete fantasy. Under the circumstances, the division into two categories of mines, independent and under the tutelage of the WWK [Hard Coal Conglomerate], became purely fictitious. For this reason, all mines were

granted legal and economic independence on 24 April. The conglomerate no longer brokers any financial operations.

Subsidies from the budget go directly to the mines. The mode of their distribution is yet another tragedy of mining. It is commonly accused of two serious flaws: The subsidies are distributed without a clear-cut criterion, most often randomly. On occasion, the mines which had managed to reduce the cost of mining the most, that is, the most efficient ones, got the smallest amount of money, which in combination with a drop in demand forced them to restrict production.

The second flaw is that these subsidies did not arrive on time. The mines became insolvent. Financial logjams appeared. Loans at high rates of interest had to be secured in order to pay wages to miners. Therefore, with every passing month the mines contracted increasing debts. By now, the debt has reached 2 trillion zlotys! The price of coal increased by a factor of five could not cover the cost of production. It is necessary to grasp that coal did not cost 194,000 zlotys per ton, as was commonly reported. This was the highest price for the so-called lump coal which accounts for about 20 percent of output. It is mainly used by the populace and in so-called residential and communal uses; therefore, it was only this price that got etched in our memories. There are mines in which the sale price of one ton of coal amounts to 50,000 zlotys ("Siersza"), and prices on the order of 70,000 to 100,000 zlotys are the most frequent. At the same time, the costs of production range between 95,000 zlotys ("Piast") and 627,000 zlotys per ton ("Thorez"). It suffices to examine the table that follows.

Accumulation in the Four Months of 1990

Mine	April			Four Months		
	Sale Price	Cost	Accumulation	Sale Price	Cost	Accumulation
Jaworzno	66,074	147,798	- 81,724	62,324	121,495	- 59,171
Komuna Paryska	61,621	201,056	- 139,435	57,065	154,755	- 97,696
Siersza	50,079	141,026	- 90,947	50,147	116,654	- 66,507
Janina	75,349	140,340	- 64,991	66,170	125,959	- 59,789
Brzeszcze	81,220	198,527	- 117,307	87,677	199,082	- 111,405
Silesia	78,793	260,784	- 181,991	79,866	194,333	114,467
Piast	74,454	107,475	- 33,021	73,016	95,307	- 22,291
Ziemowit	79,288	131,680	- 52,392	75,775	106,882	- 31,107
Czeczot	68,236	193,356	- 125,120	72,116	182,578	- 110,462
Jowisz	73,665	170,175	- 96,510	71,585	153,710	- 82,125
Grodziec	72,372	199,702	- 127,330	65,755	169,092	- 103,337
Gen. Zawadzki	79,237	222,089	- 142,852	88,310	207,244	- 118,934
Saturn	91,301	238,891	- 147,690	88,854	220,429	- 131,595
Sosnowiec	82,938	244,952	- 162,014	71,867	242,595	- 170,728
Klimontow	90,981	189,424	- 98,443	88,936	180,244	- 91,308
Kazimierz-Juliusz	70,209	181,005	- 110,796	70,394	198,303	- 127,909
Niwka-Modrzejow	92,269	245,406	- 153,137	78,143	215,812	- 137,669
Bogdanka	53,213	264,108	- 210,895	44,228	153,537	- 109,309

Accumulation in the Four Months of 1990 (Continued)

Mine	April			Four Months		
	Sale Price	Cost	Accumulation	Sale Price	Cost	Accumulation
Myslowice	101,442	163,486	- 62,044	101,771	160,811	- 59,040
Wieczorek	97,022	173,628	- 76,666	95,465	158,006	- 62,541
Wujek	115,205	256,371	- 141,106	115,056	200,752	- 85,696
Katowice	129,795	257,170	- 127,375	124,496	221,512	- 97,016
Kleofas	124,032	170,539	- 46,507	123,266	151,098	- 27,832
Wesola	72,110	125,914	- 53,804	71,670	115,740	- 44,070
Murcki	61,015	160,916	- 93,961	64,134	146,476	- 77,342
Polska	181,980	203,782	- 71,802	131,966	192,756	- 60,790
Staszic	80,637	179,029	- 98,392	78,044	134,503	- 56,459
Dymitrow	111,639	205,254	- 93,615	103,527	162,680	- 59,153
Szombierki	114,603	283,531	- 168,928	117,788	226,568	- 108,790
Silesian Insurgents	103,201	207,978	- 104,777	107,318	165,526	- 58,208
Miechowice	114,335	183,725	- 69,390	115,062	132,760	- 37,698
Bobrek	122,416	191,596	- 69,180	123,176	167,293	- 44,117
Julian	92,420	189,097	- 96,677	90,832	150,076	- 59,244
Rozbark	91,792	148,054	- 56,262	88,264	142,197	- 53,933
Andaluzja	90,740	172,645	- 81,905	88,689	135,610	- 46,921
Barbara-Chorzow	83,624	278,535	- 156,511	79,776	215,497	- 133,721
Siemianowice	102,106	202,228	- 100,122	101,375	165,826	- 64,451
Debiensko	118,090	233,342	- 115,252	107,390	181,761	- 74,371
Pstrowski	92,976	274,505	- 181,529	91,128	243,533	- 152,405
Zabrze-Bielszowice	97,191	187,048	- 98,537	98,537	181,106	- 82,569
Sosnica	95,871	190,864	- 94,993	90,754	167,876	- 77,122
Makoszowy	83,403	170,632	- 87,229	81,460	130,820	- 49,360
Gliwice	176,631	398,333	- 221,702	172,737	434,097	- 261,360
Knurow	101,534	168,856	- 67,322	97,532	144,969	- 47,437
Szczyglowice	107,145	152,293	- 45,148	89,603	134,591	- 44,988
Wawel	135,469	215,568	- 80,099	138,206	195,177	- 56,971
Pokoj	130,976	202,399	- 71,423	131,404	157,684	- 26,280
Nowy Wirek	128,185	172,899	- 44,714	128,987	159,943	- 30,956
Halemba	107,401	183,896	- 76,495	107,987	168,568	- 60,581
Slask	117,479	162,331	- 44,852	116,704	169,508	- 52,804
Rydultowy	137,326	196,799	- 59,473	133,032	152,795	- 19,763
Anna	153,938	277,159	- 123,221	157,137	212,070	- 54,933
Marcel	161,324	227,756	- 66,432	157,688	218,975	- 61,287
Rymer	87,645	205,722	- 118,077	96,817	162,003	- 65,186
Chwalowice	97,275	175,683	- 78,408	95,822	157,904	- 62,082
Jankowice	82,801	129,332	- 46,531	74,928	110,460	- 35,532
1 May	194,902	256,494	- 61,592	188,219	218,443	- 30,224
Jastrzebie	175,449	234,207	- 58,758	171,181	206,651	- 35,470
Moszczenica	190,216	245,368	- 55,152	174,825	230,540	- 55,715
July Manifesto	221,112	229,023	- 7,911	192,097	212,490	- 20,393

## Accumulation in the Four Months of 1990 (Continued)

Mine	April			Four Months		
	Sale Price	Cost	Accumulation	Sale Price	Cost	Accumulation
Borynia	163,804	180,899	- 17,095	153,521	186,520	- 32,999
Pniowek	183,525	231,198	- 47,673	178,634	200,785	- 22,151
ZMP	174,008	387,988	- 213,980	156,848	358,095	- 201,247
Krupinski	105,956	420,185	- 314,229	98,874	422,013	- 323,139
Morcinek	168,445	408,149	- 239,592	157,907	446,149	- 288,242
Boleslaw the Brave	89,441	161,974	- 72,533	77,254	114,179	- 36,925
Walbrzych	157,001	591,467	- 434,466	158,610	568,020	- 409,410
Victoria	146,391	582,954	- 436,563	147,165	610,120	- 462,955
Thorez	175,580	691,032	- 515,452	172,565	627,717	- 455,152
Nowa Ruda	148,510	439,018	- 290,508	146,363	448,162	- 301,799

On 7 May, a long-promised price list was introduced. It is undoubtedly an improvement on the old prices not only because it raises them by about five percent but also because prices are markedly differentiated based on the quality of coal, and sulfur, ash, and moisture content. This brings us somewhat closer to the rest of the world because we are finally beginning to consider whether it is worthwhile to produce the worst coal if, in addition, mining it costs too much. However, even if we assume that Poland should produce the same amount of coal, everything should be done in order to upgrade it so that it would comply with permissible norms. This was a tragedy for the "sulfurous" mines of Jaworzno. At first, they stopped production on Saturday. "Janina" is also closed on Wednesdays. The miners are not paid for the days off, but they go along with this because they want the mines to survive.

In "Siersza," the sister power plant of which, also "Siersza," began to buy less sulfurous coal from the "Czeczot" Mine, the miners lay down on the tracks in order to prevent the cars from crossing the territory of their mine. Fortunately, this problem has been partially resolved by now. They have come to an agreement; deadlines for the construction of sulfur scrubbers have been set (they turned out to be surprisingly close: "Janina"—by the end of 1990, and the rest in 1991-92), the payment of fines by the power plants has been postponed, and funds for the construction projects have been found. Therefore, for now they have succeeded in postponing the execution. Nobody knows for how long. To be sure, the local populace will continue inhaling sulfur, carbon, and other oxides for another two years, but it appears that there is no other way out. Eight thousand miners get to keep their jobs, and their families get to keep their piece of mind. There is no other industry in the Jaworzno district.

#### Commercial Banditry

On 1 April, the exclusive rights of the Center for Coal Sales to sell coal domestically and that of the Weglokoks to sell coal abroad were abolished. It appeared that this

was what the mines wanted. Meanwhile, as early as May, at a meeting of the Solidarity National Commission, miners began saying that banditry prevailed in coal sales. As the heaps of coal which would not sell were growing taller, the mines panicked and sought buyers. They stole business from other mines and reduced prices.

They demanded from a representative of the Center for Coal Sales that coal trade be put in order. In turn, the representative said that the center has no such ability at present because the mines can refuse to honor contracts signed long ago without significant consequences. This disrupts the plan of deliveries and undermines the car routing system which includes precise car schedules and has been developed over many years.

Professionals from the Center for Sales who have been involved in such work for many years maintain that, given a volume of coal that high, all mines cannot be allowed to sign contracts independently and ship coal to customers. They invoke the specter of a gigantic railroad tie-up.

There is certainly much truth to this, though we may also suspect the desire to defend the position of a monopolist.

Before the war, the Polish Coal Convention operated in Poland; it was set up with a view to preventing unhealthy competition among its members in the process of coal sales. The amount of coal, the mode of sale, prices, and terms of payment and delivery were regulated both for domestic and export sales. Enterprises involved in the coal trade were members of the convention. Among others, these were the following companies: Glesche Inc., Polish Treasury Mines, the Robur Concern, Progress, Fulmen, and Unites. In 1936, there were 37 Category I enterprises trading in coal, 668 Category II enterprises, 1,710 Category III enterprises, 6,942 Category IV enterprises, and 32 Category IV enterprises, 9,389 in all.

Could it be that at present the above 37 companies would suffice? The professionals say that we should

rather examine how coal is distributed in other countries. One thing is certain: A monopoly is not a good way out, but virtual guerrilla warfare is still worse.

#### How To Export?

The same problem surfaced in exports. At present, the mines themselves may export if they so wish. All they must do is obtain a permit from the competent ministry which apparently is no problem. Initially, when demand fell quite considerably in the country, it appeared that the mines whose coal met applicable quality standards would begin to export on their own. Emissaries from virtually the entire world who showed up at the mines encouraged them to do so. Of course, they were looking for the cheapest coal. Fortunately, the mines, or rather the miners, "have a feel" for the value of coal. This is why the emotions receded after the initial euphoria, and the miners resolved not to get cheated. Being aware of how difficult it is to figure out the world market, they began to sign contracts with the Weglokoks one by one. Therefore, they came back to a monopoly. Not a single mine exported coal itself. On the other hand, iron mills are trying to do this (the word is that the Sendzimir Iron Mill in Krakow is), as well as coke-oven plants, and even centers for fish sales. We might say: This is their business since they have bought coal, and there is too much of it in our country...

This year, the Weglokoks intends to export 30 million tons of coal. Last year, it secured an average price of \$49.30 per ton.

The art of coal export is difficult, and it calls for enormous knowledge, experience, and gumption. Are we defending a monopoly? By no means. However, it is once again worthwhile to refer to either the prewar times, when one could even get arrested for the unauthorized export of coal, or to look at how the world does it.

#### What Next?

How is the profitability of mines to be ensured? Fortunately, enough time has passed for the Ministry of Industry to be able to present to the impatient miners a concept of the new system of subsidies which will nonetheless be necessary at least until the end of the year. It is assumed that the efficiency concept will prevail. The best performers will be given more so that they will be able to produce as much as possible, and weak mines coming to an end will be gradually "extinguished." At present, two concepts are clashing: the first, unrestricted prices effective 1 July stimulated by the state in such a manner as to come to 65 percent of the world price level (calculate what 65 percent of approximately \$50 will come to), and the second, moving prices still regulated by the state which would gradually reach the level of world prices.

The concept of absolute and differential mining rents, that is, fees for using the deposit and fees which level geological differences, needs to be finally developed. It is also necessary to determine the ultimate format of the Mining Agency, an institution that has advisory and

strategy-planning, rather than imperious, powers with regard to the mines. Decisions also need to be made as to the criteria for the profitability of mining. The profitability potential of individual mines needs to be determined, and those without potential should be prepared for their painless closure.

#### Employment Prospects for Post-Secondary-School Graduates Viewed

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in Polish No 26, 1 Jul 90 p 5

[Article by Malina Sterczynska: "The 1990 Graduating Class"]

[Text] There is no queue in front of the employment officer's room. Once in a while some girl will come to ask whether, in three months, after her baby is a little older, a job will be available for her—as if this were possible to foresee. Sure, sometimes there is a brief rush because an entire group is returning from their classes and they look in, but only to see whether anything is going on.

And yet the senior students of the Main School of Planning & Statistics (SGPiS) are economists, so they should know what the employment situation is and what the forecasts regarding it are. "They know, but they do not feel that this may apply to them. Like a sickness, which everyone can fall victim to except they," says Barbara Kuta, the employment officer for SGPiS and the Main School of Rural Economy (SGGW).

Right now it is not all that bad. The employment officer has (as of the end of May) 80 job offers for economists. True, this is half as many as a year ago at this time, but how important is this when these offers are lying and waiting anyway? These are, in Mrs Kuta's opinion, more interesting offers than those of previous years. They offer good pay and work that is expanding and can be done independently. Frequently they come not from state institutions, but from private firms—companies. Sure, the requirements are high: one of the main prerequisites is a knowledge of languages.

Whether a job is well-paid, of course, is a matter of opinion. "For me that is too little," says a young man looking at the offers. "And for that kind of money I am supporting both myself and my child," says a young woman from the other end of the room.

#### Strong Nerves?

At present it is not the graduating students who are grabbing the offers, but it is Mrs Kuta who is urging the researchers to grab people willing to work. At the moment, of the SGPiS graduates there are 14 who are registered as jobless (including ten from last year's graduates). Three of them are raising their qualifications at a Bank of Economic Initiative's course. As to the others, it is not known whether they really want to be employed. The fact that it is really becoming difficult to find a job is shown by the appearance of graduates from former

years, people who lost their jobs. They inquire about vacancies. Unfortunately, it is hard to help them. First, because of formal reasons, and second, because the offers for graduates are generally lower paid and other conditions apply; the employer knows who he needs.

The situation at SGGW is worse. It was always hard for the graduates of this school, who did not return to the family farms (meaning about half of them), to get a job. Today there are no jobs at all for veterinarians, horticulturists, or nutritionists. A forestry graduate, who completed his diploma work early in the fall and then spent the following months learning a language, something hard to condemn, says: "After all, I'm going into the military service, it's not worth getting tied down. When I return I'll look around. Maybe I'll go abroad."

Why are the young people not interested in taking a job? Is it due to unawareness? Strong nerves? Reports on the experience and behavior of students in the Economic Science Department of the University of Warsaw cast some light on this matter. They, too, rarely take advantage of job offers submitted to them. It happened twice last year that institutions wanted to employ a group of graduates. These were attractive offers, with the possibility of foreign travel. Scarcely a few people replied.

But this does not mean that those who were graduating imagined that they could live on air. Simply the opposite, says the dean of students, Prof Marek Okolski. They often use the period of study for long stays abroad. They establish their own firms—often very prospering, or do semilegal work in cooperatives.

Usually a few people from a class (which is now about 50-60 students) "get lost" somewhere, stay abroad permanently. When they graduate they are generally well-prepared to live on their own and are therefore not interested in the offers made to them. Here is one example: One of the girls was offered a job in a scientific institution, something she had apparently really yearned for. She turned it down, preferring to deal in street sales with her husband.

Naturally, one cannot generalize. A small group of the best graduates decides on a science career or work in the central institutions. There is no problem in doing this either, because this is taken care of by promoters who have many contacts. There is also a certain fringe element of those who are shiftless, who were not good students and who have not been able to find a place for themselves anywhere. But it is hard to determine how many of them there are because they, too, do not reveal themselves.

#### Under an Umbrella

Is it really so? We must assume that this year 310,000 to 393,000 young people will graduate from various types of schools, with no plans to continue their studies. The large disparity in the figures stems from the differences in the estimates made by the Ministry of National Education (MEN) and the Ministry of Labor and Social

Policy (MPiPS), and also from the fact that undoubtedly not all, despite their graduation, will take jobs. Based on the requirements sent in by plants at the beginning of the year, it is estimated that about 150,000-200,000 of them will have problems in finding employment.

There will be about 32,000-34,000 graduates of higher schools. As compared with their younger colleagues from the trade schools, they are not in a bad situation. It is expected that almost two-thirds of them will find employment in the public sector, while in such voivodships as Biala Podlaska, Skieriewice, Wloclawek, and Chelm, scarcely 10-20 percent of the graduates of vocational secondary schools will find jobs.

What, then, can those persons who are graduating count on? It is hard to make any kind of guarantees right now. It is believed at MPiPS that at least 8,000-9,000 young people will go into the academic field. All of the educated people will find jobs in the health services and social welfare. The police departments are also waiting for people who want to work. In the budgetary sphere it is envisaged that there will even be a growth in employment. There are, as I have stated above, job offers for economists. Job prospects for engineers are worse (a new phenomenon), and also for graduates of agricultural schools. All in all, however it is said, there will be enough work in the public sector for more or less two-thirds of the graduates of higher schools.

But this does not mean that others will have no opportunities. Maybe their opportunities will even be better, although not for government positions. It is for those whom the public sector cannot absorb that a protection program is being prepared.

First, it provides help in developing small enterprises. The Graduate Employment Foundation will serve this purpose. Branches throughout the country will be established. The shareholders in this foundation will be the MPiPS, the Technical Progress Bureau, and the ELMECHEM [expansion unknown] cooperative, which employs graduates. The foundation will conduct its own economic activity. Favorable conditions will make it possible for it to compete with other producers. It is also supposed to help groups of young people to go into business for themselves, by establishing companies and family enterprises. Where is the money for this purpose coming from? A jobless person can obtain, from the Labor Fund, a loan amounting to the average monthly salary multiplied times 20. At present this totals 14 to 15 million zlotys, which, if several people go together, can be a considerable sum at the beginning, especially because the loans will carry a low interest rate, and after two years will be amortized. Graduates will also be able to obtain additional credits from the Bank of Socioeconomic Initiatives.

Another course of action will enable graduates to acquire new skills as the need arises, i.e., go into new professions (accounting, marketing, computer services, social security, banking), combined with the study of languages, which many employers now require. The organizers of the training are counting on foreign assistance in this

area. In any case, many institutions in our country are willing to make their facilities available for this purpose. A central talent bank, assembling information on the most distinguished graduates, will also be established.

The third course of action which the ministry intends to embark on is the creation of economic incentives which would make the graduate a more desirable employee than the "classic" jobless person. These would be reductions in the tax on the above-the-norm growth of wages and salaries, and possibly others. This matter has not yet been decided and it is possible that this solution will not be accepted. Anyway, a graduate is, by nature, a desirable employee. According to MPiPS, the graduate draws half the salary of a employee with long experience, and, after three to four months, achieves full efficiency (we are referring here to graduates of schools of all levels).

For the future, actions to expand tourism have been planned. The young people could also participate in this, develop the eastern territories of the country, expand the list of professions covered by social security, etc. All of this would create, as envisaged, a diverse offer in which everyone would ultimately find something for himself.

#### Panic?

A recent meeting of the Sejm Commission on Youth, Physical Culture and Sports, was devoted to the subject of the employment of graduates. During this meeting, the deputy minister of labor and social policy, Jerzy Szczerter, said that the present number of registered jobless represents the percentage of the total number of people employed which throughout the world is regarded as full employment (according to the information given on 31 May 1990 at Minister Jacek Kuron's press conference—443,000 registered, 3.3 percent of the total employed). In the Warsaw Voivodship, in May of this year this indicator was scarcely 0.8 percent. But as Jerzy Szczerter admitted, by the end of the year the number of jobless will doubtless be at least twice that amount.

The situation was described by Anna Kowalska, director of the Warsaw Labor Office, much more pessimistically. In taking the floor she announced that she believed it would not be possible, in her speech, to avoid elements of panic. And truly, the situation, as she said, looks comfortable from the standpoint of numbers, however it is bad from the standpoint of the structure of the offers. The offers balance with the number of jobseekers, except that the job openings are for "blue-collar" workers, and the jobseekers are "white-collar" workers. And soon 300 plants will dismiss 27,000 persons in Warsaw Voivodship, as had already been announced. We must add to this the 24,000 soon-to-be graduates from various types of schools, plus another 10,000-15,000 persons employed in seasonal work which will end in the fall.

At this time there is no apparent unemployment among graduates, especially of the higher schools. But it appears in the forecasts. Nor is there any fear of this among those who should be the most interested. Under these circumstances, does it make sense to prepare a protection program? In the light of other economic and social aspects, of what significance can it be to give special protection to a single, specific group of jobless—still potential?

I believe that these actions, if we assess the time at which they are begun, are not premature. It is always better to be prepared for the worst, especially since under our conditions it is seldom possible to react to anything quickly and efficiently at precisely the time that this is needed. Whether the proposed actions will turn out to be successful, will become clear in practice. Even now we have to consider whether it was rational to base forecasts on information gathered in the workplaces at the beginning of this year. It is difficult to believe that nothing has changed since then.

In any case, can attempts to exert any kind of influence on employment in a country be successful when it is impossible in that country to relocate practically any workers to another area due to lack of housing? True, the Ministry of Labor's materials mention the startup of cheap housing construction, but we have heard this for years, with no results. As someone remarked during the meeting of the Sejm commission, even the increases in prices of transportation tickets can affect the flexibility of worker relocation.

The fact that exceptions are being made to just this social group, that the young people are being coddled, may raise some questions. Will such paradoxical situations arise, as for example, that a single mother will be dismissed in order to employ a girl who just graduated from school because for some reason this would be more profitable to the plant?

However, we should remember that this year's graduates are the first to be thrown to the winds, so to speak. They made their choice of a profession and course of training at a time when things were very different. They should at least be given a chance to show what they can do, the same chance that the older workers had.

The graduate employment program proposed by the government will not replace long-range action. If the system of training at the level of both the vocational and secondary schools, as well as the higher schools, is adapted to the needs of the economy, it will be possible, in the future, to save the young people a great deal of suspense and problems of a general nature. How to bring this about is a separate problem.

## ROMANIA

## Uncertainties Abound on Changing Economic Scene

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in Hungarian 16 Jun 90 pp 15-16

[Article by Gabor Hunya: "A Multifront Struggle: Romanian Economy"]

[Text] After winning the battle of the elections, the National Salvation Front can now fight the war: The collapse of strictly planned economic system, the rapidly worsening supply of consumer articles and the swiftly growing foreign trade deficit together call for the economy's urgent transformation. When it comes to finding solutions, there are fundamental differences even within the Front, which could easily lead to the future disintegration of the organization. The writer of this article (co)author of *Romania 1944-1990: An Economic and Political History*, recently published by Atlantisz [Medvetans], tried to obtain a better insight on location.

Even after the landslide victory of the National Salvation Front, debates about politics and economy have not ceased in Romania: True, the populace voted for tranquility and slow transformation when they cast their ballots for that organization, but in doing so they also gave immeasurably broader freedom of movement to the adherents of radical changes within the Front. In any event, the problems are multiplying: As late as May, the level of economic performance has reached only three-quarters of last year's, and if the present trend continues, the balance of trade deficit might reach 3 billion dollars by the end of the year.

There is a complete shortage of consumer articles because citizens who are able to obtain permission to travel but not foreign currency, take anything movable out of the country. Anyone able to invest his money into dollars in January can now sell it at a 40 percent profit, receiving 130-140 lei for a dollar; the forint's price rose from one to 1.5 lei. The availability of basic foods is dependent on imports; anyone skillful enough can obtain good quality meat once a week. Vegetables and fruit, whose prices have been liberated this year, are about 50 percent more expensive on the markets than at the same time last year, yet (because of the release of excess money, which experts estimate to be about 25 percent above last year's level) citizens have enough money to buy even the hits of the black market, soap and deodorant. The view is shared by everyone that wholesale inflation is unavoidable.

Measures introduced thus far by the Peter Roman government increased the enterprises' independence in such areas as investment decisions, structural transformations and the organization of production contacts. The shortage of commodities, which is growing because of the still-controlled prices and the weakening of central distribution, have contributed to the further breakdown of delivery reliability, and the nation's economy has

broken down into naturalistic barter relationships. The counties' leaders organize these barter relationships in order to ensure supply for their residents: Thus, for example, the Brasso tractor factory delivers machines to agricultural units outside the county only in exchange for food items.

Under such circumstances, directors of state enterprises (most of them recently elected by workers' councils), look toward their greater independence with uncertainty. More and more of them realize that a structural transformation will involve dismissals, and that they must find partners with capital, in part to modernize their backward technology and in part to break into Western markets. Here and there, they have already started transforming production units that are deemed good candidates for independence into enterprises, and began negotiating for enrolling foreign capital. Formally, the state will be the seller, but enterprise managers are told that partners brought in by them will be welcomed. In creating managerial independence, Temes county is acting in the spirit of the March declaration. Enterprises remained distant from ministerial intervention, broke with industrial trusts that have their centers outside the county and created a foreign trade bank and a chamber of commerce with local headquarters. It would be difficult to force them back under the control of the Bucharest bureaucracy.

When it comes to the transformation of the economy, there are various concepts that exist even within the government. The governmental committee entrusted with the task of developing a program for converting to a market economy, led by Tudorel Postolachi, completed its work by the middle of April, but it was not published at that time, so as not to endanger the election victory of the Front. The program, which is quite eclectic and blends the views of former ministerial apparatus and more radical experts, reveals a centrally controlled transformation that would progress step by step. Every important element appears in it, such as the liberation of prices, privatization, bank and tax reform, but the program lacks a developed schedule and content.

At the same time, the secretary of state in charge of privatization, Severin, would prefer to begin transforming property relationships as soon as possible. In his view, the creation of market conditions inevitably depends on the elimination of monopolies, and a "shock therapy" should get under way with measures influencing property relationships, the transformation of the banking system and the establishment of a stock exchange. His radical approach is based on the doubtful assumption that a great many foreign investors would be willing to buy shares of large Romanian enterprises, at prices set in accordance with local wealth estimates.

Another group of experts (including the prestigious economist, Eugen Dijmarescu) assert that "shock therapy" involves immediate liberalization. In their view, the realization of enterprise independence and the elimination of central distribution can only be imagined in

tandem with liberalization of prices and wages. In the case of wages, the state would prescribe only 50 percent of the present average compensation as minimal wages, or that is what it would guarantee as unemployment compensation. It is expected that the present six-to-seven percent level of unemployment could reach 20 percent, although its extent could be moderated by the return of laborers to the villages and the hoped-for multiplication of private enterprises.

The most dedicated opponents of a consistent reform package are the apparatus of ministries and regional administrative organs, whose personnel would like to combine the changes with the preservation of their own posts. If they were to succeed, however, the reforms that might be formally radical would be burdened by a complicated and heavy-handed layers of permits, further feeding the already endemic corruption.

A typical example of confusion when it comes to administrative roles is the Committee for Private Trades and Services, which collaborates with the government. One of its tasks is to offer legal assistance and interest representation to the newly forming small enterprises. There is an urgent need for this type of high-level assistance, if for no other reason than because the 50 types of materials and energy sources distributed by the state can be obtained only with governmental protection. At the same time (and this is also characteristic) the new small enterprises must seek out the evaluation of that Committee which, on the basis of a one-page questionnaire, forms an opinion about the future firm's "necessity for the nation's economy and its expectable efficiency;" in other words, it permits them to operate. One official rejected an application in my presence with the objection that it is unlikely that one could sell clothes and cosmetics in the same store simultaneously.

However, it is not this kind of "helpfulness" that represents the hardest obstacle for the entrepreneur. The final permits are issued by local councils, and they are also the ones distributing business real estate. Officials find it difficult to imagine why state-owned real estate should be rented for the purposes of private business; while there is nothing prompting state renters to release their operating stores (which are not selling anything because of a shortage of goods). In addition, real estate rents are very low and uniform throughout the country. As of 14 May, only 25,102 petitions were made for the establishment of small enterprises, and less than half of these, 11,940 were approved. Of these, 5,643 started operating, most of them as single-person or family undertakings. Of the 6,683 requests for business sites, only 2,812 were successful; thus the boutiques and doughnut makers are not yet part of the street scene.

The political opponents of the National Salvation Front are slow to awaken. Some of the intellectuals are trying to revive the National Liberal Party, while others attempt to popularize the ideal of a system change by forming a mass movement. There are those who hope that proponents of a radical break with communism, or

even the adherents of market economy, will leave the Front; they consider the two-year mandate of the presently forming government as a transitional period until the real change. It would be a positive development even if this period was only spent learning about democracy and market economy, and if it did not bring about a regression, a "soft dictatorship," although based on the results of the elections Iliescu might feel empowered toward such a dictatorship.

## YUGOSLAVIA

### Bank Official on Steps To Limit Interest Rates

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in Serbo-Croatian 19 Jul 90 pp 18-21

[Article by Vladimir Grlickov including interview with Mitja Gaspari, deputy governor of the National Bank of Yugoslavia; place and date not given: "Boomerang of High Interest Rates"]

[Text] Certain changes are being prepared in monetary and credit policy, so that it would no longer be as restrictive as in the first half of the year. Net assets and investments of banks would be permitted to grow by 12 percent and nine percent, respectively (there was no growth in the first two quarters), and the net assets of the National Bank of Yugoslavia [NBY] would also be adjusted to the new situation, reaching last year's level of 116 billion dinars. In doing this, the need to have a "healthy" basis for monetary and credit growth and to avoid the danger of inflationary influences will be taken into account. The problem, however, is whether monetary and credit growth will take place in today's unfavorable market environment, when the role of the state is becoming stronger both materially and politically, and when the ownership structure of banks and enterprises remains unchanged. Naturally, it is more desirable to make growth possible as soon as possible, but with parallel material and structural changes. Otherwise, the changes of reviving economic activity are not great, and there are estimates that industrial production could be reduced by 14.5 percent this year in comparison with last year.

Changes in the ownership structure of banks are possible with the application of the new model of financial rehabilitation that has been advocated and proclaimed for a long time, but that is difficult to carry out. Time is passing and there has been no financial rehabilitation, among other things, because there are big problems in auditing balances and determining the real state of the losses. Banks are using this to avoid the danger of entering into the financial rehabilitation (or bankruptcy) process, by trying to use a sort of self-rehabilitation and cover their losses through astronomically high interest rates on loans. That is how it happens that banks "are not doing so badly" in commercial and balance terms, and do not have large losses. Naturally, in this case nothing has substantially changed in their business policy.

The "good" state of the balance is only an illusion, because the audits of the balance, which have not been completed because of many difficulties, will show that revenge can easily be taken against the banks for the high interest rates. The economy cannot pay them, and this is why this uncollectable sum will be considerably higher than the 10 billion dinars now listed. The uncollected amounts due are actually "hidden" in various balance items, in the form of renewed loans and added interest, rescheduled loans, etc.

Naturally, interest rates are not a hot topic just because of the "financial rehabilitation" role. The question is how to reduce their level under the conditions of a "thaw" in bank loans. Administrative limits on bank loans have been abolished, while at the same time it is being proposed that similar administrative measures be introduced with respect to the level of interest rates on loans.

All of this was the reason for the topic of monetary policy, interest rate policy, and the financial rehabilitation of banks. Along with our article, which deals with monetary policy, we are publishing an interview with Mitja Gaspari, deputy governor of the NBY.

#### Assessments

Along with the fact that monetary policy, in addition to other policies, has had an important role in the program for curbing inflation, it was planned that through its "operation" it would create the prerequisites for restructuring the ownership of banks and enterprises.

Accordingly, the liquidity of the banking system had to be ensured primarily through the foreign exchange transactions of the NBY and the banks, and through purchases and sales of foreign exchange on the foreign exchange market. Such a policy has also been applied in other countries. Our unique situation, however, was that in addition to this there was also a nominal reduction of loans. That was a consequence of several factors, some of which were also subjective in nature, because they involved bad estimates at the beginning of the program's implementation. This should not be understood as an accusation, but the mistake was in estimating the trend in foreign exchange reserves, because their growth was significantly underestimated. People did not count on the high sales of foreign exchange by citizens, and especially on the amount of sales from the accounts of enterprises abroad. That influx, which also took place as a result of protection from possible devaluations, was significant, and, through the foreign exchange reserves, had a large influence upon the amount of money in circulation.

At the same time, it was felt that it was necessary to reduce the money supply by "curbing" banks' loan activity. After a brief search for a solution, limits were placed on investments by banks.

At that time, that measure was appropriate, although in this case as well the estimates of money aggregate trends

were inaccurate. The basic mistake is the inadequate estimate of the demand for money in individual sectors; the demand by the population, and especially by the economy, was underestimated. It is relatively easy to determine the possibility of the saturation of the money demand and the behavior of the population. That is more serious for the economy, because the relationship between demand and an adequate supply of money does not depend solely upon its behavior, but also upon monetary policy and other policies that influence the liquidity of that sector. In this regard, we have in mind the tax rate, the payment of salaries, and other duties that exhaust the liquid funds of economic organizations.

The limitation on investments can be assessed in various ways. It can even be assessed favorably, as a measure that was supposed to prevent "effectuation" and the unfavorable inflationary effect of the underestimated money supply, which was "created" by foreign exchange transactions and taxes, and also by means of salaries. It is not suitable, however, because, as an administrative measure, it does not "correspond" with a market economy, and has a role of "putting out fires" in the existing system.

The limitation, however, brought many more unfavorable effects. Above all, the main shortcoming of that measure was that it was combined with an inadequate handling of fiscal policy and salary policy. These two policies, especially fiscal policy, were out of control, not only at the federal level, but also at the level of the republic states. High tax rates, along with lower inflation, meant the withdrawal of money from the economy in large amounts.

The budget's revenues and expenditures were "composed" from an excessively high base for the social product, which at that time was estimated to be about 62 billion dollars. That is why the budget's share in the social product today is higher than the 10-12 percent estimated then. Furthermore, one should bear in mind that the social product, as the base for the budget's share, declined because of the decline in production, so that on that basis as well there was a real growth in budget revenues.

That was the reason why even enterprises that were not insolvent and had a relatively good participation of capital in their liabilities and good programs were not able to keep their heads above water because of liquidity problems.

The limitation on bank investments is no longer in effect, and, in view of the administrative nature of that measure, this could be assessed favorably. In another area, however (interest rates), the introduction of limits is being proposed. This observation was the reason for initiating our interview with Mitja Gaspari.

[Gaspari] With the "thaw" in bank loans, the problem of high interest rates, and the high margin between credit and debit interest rates, remains unsolved. Through that high margin, the banks are in effect seeking a solution to

covering their expenses, which originate in the so-called bad portfolio of loans; next, there are the expenses that occur through inadequate monetary regulation (low interest on the mandatory reserves), and, finally, there are the expenses resulting from their investments that are retained in the so-called public debt (the problem is in the regularity of servicing public debt and paying interest).

[Grlickov] Do you think that the banks' high expenses are also caused by the high interest rates on deposits? According to the latest data, they are considerably above the estimated annual rate of inflation.

[Gaspari] The average interest rate on deposits is between six and 20 percent, depending on the period for which the funds are committed. Not one country in the world that has had an anti-inflation program similar to ours (Brazil, Bolivia, Peru) has succeeded in reducing real interest rates to a tolerable level, and that is not just at the beginning of the implementation of the program. The problem of high real interest rates at the beginning of the implementation of the program is not just a matter of suddenly discovered balance relationships, i.e., bad loans, or inadequate monetary regulation. Furthermore, our banks have high operating expenses because of an excessively dispersed network, too many employees, to put it simply, because of the excessively low labor productivity in those banks.

[Grlickov] A limitation on interest rates is an administrative solution; is there no alternative?

[Gaspari] In spite of everything, there is one factor that cannot be overcome by any measures. That is the psychological element that appears when interest rates are reduced from 20,000 to 40 percent. In those conditions, both bankers, and all those who deal with this business, have not been able to adjust overnight to the new conditions and reduce the margin between credit and debit interest rates to four or five percent, as in countries with a settled and stable economic situation.

I think that the measures being proposed, which deal with limiting interest rates, with loans, and which are aimed at helping the economy in some way, will yield more bad results than good ones. I do not doubt that that measure is being proposed with good intentions in order to reduce the pressure of expenses on enterprises. Most enterprises, however, even though they have taken out loans, have not paid that "high" interest, because these were mostly bad enterprises that received loans just to keep them alive (along with the bank). Loans are revolved or rescheduled, and the interest is even capitalized and refinanced. Consequently, the banks have only made their loan portfolios worse, while the enterprises have not paid interest. The banks have thus gotten into a situation in which they do not have the funds to finance better clients, enterprises, or programs at preferential interest rates. They have been more inclined to rescue the situation of their clients; and these are the

banks' main clients. They are the large enterprises that use the large banks. That is why the large banks are in the most difficult situation.

[Grlickov] The NBY has already taken a step to signal that it wants lower interest rates on loans. It has reduced the discount rate, and at the same time a limitation on interest rates for bank loans has been announced.

[Gaspari] The NBY has reduced the discount rate from 23.4 percent to 18 percent and then to 14 percent. All of this has been incorporated to some extent in the restructuring program that the prime minister announced in the Assembly. In determining that interest rate, we proceeded from the assumption that by the end of the year prices would increase by 0.5 percent per month, which would mean an annual inflation rate of nine percent. With what has been achieved in the first half of the year, that would give an overall annual inflation of 30 percent. Assumptions are made for the future and not the past, however, and so it has been estimated that the margin of five percent with respect to inflation is sufficient for the NBY (the discount rate); and that is also the margin between the credit and debit interest rates at the banks, and that is how it turned out that the maximum interest rate on loans could not be higher than 19.5 percent.

[Grlickov] Was limiting the rates the only solution?

[Gaspari] Without going into the legal aspect of limiting interest rates, I think that there will still be a debate over this measure. There were better solutions. Something could have been done in compensation for banks' expenses, linked to monetary regulation (the mandatory reserve); interest should have been charged on the mandatory reserve up to the level of the expenses that banks have in doing business with deposits. That would make this instrument of monetary regulation be neutral with respect to the income effects on banks. Another solution is reducing the banks' mandatory reserve: it now amounts to 14 billion dinars, or \$1.2 billion. That money is blocked, which may be understandable from the standpoint of monetary regulation. It cannot be completely reasonable, however, if a normal policy is followed in the money market and through foreign exchange transactions, and if banks' loan activity is coordinated with an adequate interest rate policy. In that case, a mandatory reserve at a level of 22 percent is not necessary, and could even be considered harmful.

It is another matter if banks do not respond to such a monetary policy, and in their loan activity do not feel themselves to be responsible and sensitive to the occurrence of reduced liquidity. There are indications that the threshold of liquidity does not mean anything to them, and they go into negative balances in their accounts, using considerable amounts of the mandatory reserve. In that situation, the idea of reducing the rate of the mandatory reserve seems less feasible. That is why my basic idea is that better management of a bank's liquidity, and less utilization of the mandatory reserve as a secondary source of liquidity can contribute to a fairly

significant reduction in the rate of the mandatory reserve—to at least half of the rate now in effect.

A better yield of interest on the mandatory reserve, as an indirect measure that could influence a reduction in interest rates on loans, can also be considered in connection with the idea of its transformation into mandatory securities (treasury notes). For example, a third or more of the mandatory reserve is converted into mandatory treasury notes, which bear normal interest (better than the mandatory reserve), at about 80 percent of the discount rate. That would mean an additional reduction in the burden of the banks' monetary regulation expenses. Furthermore, mandatory treasury notes could be converted into voluntary treasury notes, all depending on trends in the banks' liquidity.

There are also other indirect ways of reducing interest rates on loans. I am thinking here primarily of reducing the expenses that banks have in handling foreign exchange deposits. One could consider having the federation settle its obligations to the NBY resulting from the so-called public debt (exchange rate differences and interest), and having the NBY settle its obligations to the banks, each quarter, and not twice a year as is done now. Along with this, one should also take into account the criticism that the compensation based on interest on those deposits is too low: especially since interest rates on the original currencies in Europe are growing.

Admittedly, there is a possibility that interest rates on loans may remain high in spite of indirect measures to reduce expenses. In that situation, one could introduce some sort of turnover tax that would penalize those banks in some way.

[Grlickov] Before financial rehabilitation, what can be done with the high margin in interest rates, through which banks are in a way rehabilitating themselves?

[Gaspari] A one-time rehabilitation of the banks would bring about a reduction in that margin between credit and debit interest rates. I have already mentioned some of the measures for that one-time rehabilitation (monetary regulation). Furthermore, I would point out certain laws, which have been passed but are not being implemented, making the banks' position more difficult. One of them has to do with our federal government, i.e., the NBY, taking \$962 million in loans from our enterprises; another is the law on the conversion of short-term loans from the primary issue into long-term loans; and the third is the law on the premature repayment of part of our debts to the USSR, with the repayment of those loans being postponed for the final debtors in Yugoslavia by the period that was originally contracted for.

These three laws mean in effect that enterprises have been exempted from paying part of the principal and the interest on those debts. That, in turn, reduces the possible outflow of enterprises' funds on that basis, allows them to save, and under some laws provides a definitive postponement (the law on taking over foreign debts), and

under others, a long-term postponement of the repayment obligation (the law on conversion), with a real possibility that the debts might even be written off. Enterprises are not making good use of the capital thus "acquired," and are using it as a basis for increasing salaries. If it were different, the demand for loans would be reduced, and thereby the high interest margin at the banks would be reduced as well.

The enterprises could use the money "gained" for repaying loans, and create room for the banks to finance good enterprises and definite earnings. Unfortunately, those opportunities have not been correctly used, and the chance of reducing interest margins in that way has been lost.

[Grlickov] There is also a possibility that these loans might be converted into the permanent capital of the enterprises, turning the creditors into owners.

[Gaspari] We are also considering the possibility of adding, in article 16 of the Law on Banks, the conversion of those loans into permanent capital. One must be aware, however, of the fact that the former loan uncollected by the bank and its conversion into capital will not improve the situation at the bank. In this case, there cannot be any rehabilitation of the bank, but only a sort of rehabilitation of the enterprise, which is no longer obliged to pay back the loan principal. And the question is whether the bank will obtain any yield on the capital (a dividend) at all. If there is too high a volume of the conversion of loans into permanent capital (shares), a mass collapse of the banks may occur. That is why there has to be some upper limit for this sort of conversion of loans into shares, so that the NBY could also be protected from the risk of an excessive collapse of the banks.

[Grlickov] The banks are incurring a risk in any case, because at the end of each year they write off loans to enterprises on a large scale, with the intention of helping them. For that amount, they could try to convert those loans into permanent capital, because that is a sort of chance for them to save what can be saved from continual failure.

[Gaspari] I agree with that, but it should nevertheless be seen how large the amounts are that the banks are writing off in comparison with their total capital. By writing off their accounts receivable, they are losing their complete income and capital, and so they are entering the area of operating at a loss. That is why they are requesting that their deadline for write-offs be increased from 60 to 90 days.

[Grlickov] Do you think that will solve the problem of the banks' capital?

[Gaspari] In any case, it will be a definite relief for the banks. It has to be clear, however, that accounts receivable and interest due are not the banks' main problem. The main problem is adding on interest, which is actually the first sign that banks are conducting a bad business policy, because adding on any interest is a sign

that something is wrong with the client. And until that loan is finally written off, the bank will only postpone things by adding on interest; it will be listed formally as having some sort of income that does not actually exist, and the loss will have to be covered by funds from outside.

[Grlickov] We are arriving at the subject of how realistic banks' balances are. The audit of the balances, which is being conducted with the application of international standards, is taking a long time.

[Gaspari] A correct analysis and audit of the balances inevitably has to show that bad investments and questionable items in the balances are considerably higher. A bad loan is not just one which has become due and for which payment has not been collected; there is also all the interest that has not been collected but is entered as income in the balance of successes. Furthermore, bad assets are not just the first bill that has not been paid, but also everything that comes due afterward. That is why the amount of bad investments and banks potentially operating at a loss is considerably higher than we now think. That alone means that the banks' income position and balance of successes will be worse, especially if we apply the international standard on setting aside reserves from current income as a certain percentage of the level of those bad investments. We are insisting on this, however, because it creates a more realistic picture of the banks' balances; the total income is reduced by the amount of those reservations, along with loans in the balance of affairs, where they represent a so-called negative item. The picture of the balance, potential, solvency, and income becomes more realistic.

[Grlickov] There are views that the audit of the banks is too severe, and that it is unjustifiably portraying the balances in a worse state than they actually are.

[Gaspari] I think that the best answer to that will be the facts that are presented. The NBY is not seeking those facts with the intention of destroying banks, as many people think, but rather, above all, as Mr. De Huan, a recognized expert on this subject, has suggested to us, so that we can obtain a correct picture and begin to get out of the situation we have found ourselves in. The foreign firm from London, and our SDK [Public Auditing Service], which are conducting the audit, are doing it with the minimum international standards, with the entire procedure being public, and thus also exposed to criticism. The results will also be available to the public, except the parts that constitute a commercial secret for those banks.

It is another matter how much time we will need afterward to carry out the financial rehabilitation of the banks. Other countries, which are much more organized and better equipped with personnel, have needed at least five-six years to rehabilitate banks, and the problems of our banks considerably exceed the average problems in other countries.

[Grlickov] It has been heard that some banks are refusing to provide true data on their balances. That probably makes it more difficult to perform professionally unbiased analyses.

[Gaspari] In our country every problem is politicized, and there are probably elements of that in this case. The quality of a bank's balance sheet becomes a political problem as well. There are also objective reasons for the delay in the process of auditing the balances, however. It is an objective fact that this kind of internationally standardized audit has never been done in Yugoslavia before, which means that bank managers and employees have never had an occasion to see, hear, and do it. In our conditions, an audit was not of any interest, because we had associated labor banks, for which the quality of their work was not essential.

I must say that the audit of balances here has been adapted to our conditions. It is not the kind of audit that is used in developed economies like the United States, England, Germany, etc., but is rather adapted to countries with a lower level of financial sophistication and development. Even that kind of audit means a great burden for our banks, however. The main reason is obvious. There is no main record that is assumed to exist, as in all relatively financially settled countries. There is no classification of assets by clients, or classification of loans by maturity. There is no established record on nonbalance obligations and guarantees, irrevocable obligations associated with unused tranches, etc.

The bigger problems are at the large banks, because they do not have any mechanisms for internal control through which they could provide answers to many questions associated with their balances. Many banks are not capable of preparing partial balances, even though the law requires them to. When the legal status of a bank changes, and thus the legal status of its obligations and assets, a partial balance has to be prepared within a given period, so that the new entity can open new balances and begin to operate. All banks that have changed their status were required by the law to prepare partial balances in order to obtain a permit to operate. Not one of them has done so, however. That makes it more difficult to audit the balances, because without partial balances it is not possible to perform an analysis of the total loan portfolio.

We did not "invent" this whole audit process for the sake of some sort of mistreatment of the banks and those employed in them. We need a true picture of the balances, because the NBY has to perform the function of verifying banks' creditworthiness on a regular basis; this is a very vital element for preventing banks from getting into the situation of going into rehabilitation or bankruptcy proceedings. In the second place, real balances are needed so that financial rehabilitation can be carried out according to some objective criteria, so that the NBY or the Agency would not be allowed to do this in accordance with its own inclinations and views.

[Box, p. 18]

#### Changes in the Law

[Grlickov] The entire package of laws (on the NBY, banks, the rehabilitation and bankruptcy of banks, and the Agency) has been conceived in such a way that the NBY plays a certain role prior to the initiation of the rehabilitation or bankruptcy of a bank. Does that mean that in some way it first helps banks that are threatened with having to halt operations in order to enter rehabilitation or bankruptcy proceedings?

[Gaspari] The only change that may be of a substantive nature is that the decision on rehabilitation and the initiation of that process is made by the Agency. During the prerehabilitation proceedings, however, the NBY is authorized (and not the Agency, as some people advocated) to undertake certain measures with respect to the bank even before it is completely insolvent or illiquid. I think that it is a normal sequence of actions, because if the NBY is responsible for the stability of the financial system, then it has to have certain prerogatives, which should not be reduced just to the possibility of issuing an operating license (or taking it away), without having the right to undertake measures with respect to a bank when a credit check establishes this. Consequently, it has to have the possibility open of undertaking preventive measures, and not just curative ones. The NBY does not gain excessive authority by this, as many people thought, but only what is necessary to prevent too large a number and volume of bank rehabilitations or bankruptcies. The NBY can ask a bank to ensure the necessary capital when it feels that it is undercapitalized; it can request that it write off some loans when it feels that keeping them on the books could create additional difficulties; it can ask a bank to close some of its branches or business units when it feels that the operating expenses are disproportionately high in comparison with its earnings; and it can ask

the managing body to replace the bank's leadership when it feels that the leadership is bringing the bank into a crisis.

When this whole procedure has been gone through without the bank's getting out of the crisis, the NBY issues a decision assessing the initiation of financial rehabilitation proceedings as economically justified, and informs the Agency of this; the Agency then issues a decision on rehabilitation, and selects the form of rehabilitation.

This sort of transformation of the law is necessary, although foreign experts who are helping us in this work, warn that there could be conflicts between the NBY and the Agency, which would be good as an occasion for debate and the clarification of concepts and problems, but would not be beneficial because of the time lost in beginning the rehabilitation process.

Another change in the law is that the Agency would engage in the temporary and not permanent purchase of bad loans. In my opinion, this sort of change, which was added to the law at the insistence of people working at the Agency, is wrong, because the permanent purchase of loans has to be accepted. In this way, a form of the Agency's work that is very much present in other countries as a form of rehabilitation is being prevented.

A third change in the Law on the Agency is that the NBY prescribes a decision on insuring deposits, and on which deposits are included in the base for insurance, and the size of the deposits that can be considered for insurance.

In the Law on Banks, the provision on a large loan to one recipient, and the size of large loans, is being changed. The percentages of a large loan are being changed (to five percent of the capital), as well as large loans (to 80 percent of the capital); by doing this, we are trying to get closer to international standards. I do not agree with bankers who claim that we are thus making it more difficult to do business, but I agree that time has to be given to adjust to this.

## GERMAN DEMOCRATIC REPUBLIC

### Education Minister on University Dismissals, Funding

90GE0220A Munich SUEDDEUTSCHE ZEITUNG  
in German 9 Jul 90 p 28

[Interview with Hans Joachim Meyer, GDR minister of education and science, by Andreas Knuepffer; place and date not given: "What Will Happen to GDR Science?"—first paragraph is SUEDDEUTSCHE ZEITUNG introduction]

[Text] Hans Joachim Meyer, the GDR minister of education and science, is an Anglicist by profession. Before Lothar de Maiziere brought him into his cabinet, he was a regular professor of linguistics at Humboldt University. In addition, he is chairman of the "Action Committee of Catholics in the GDR." Still without party affiliation, Meyer intends to join the CDU. Following a panel discussion at the Catholic Academy in Munich, our collaborator, Andreas Knuepffer had the opportunity of interviewing him.

[Knuepffer] Eastern students in the West and vice versa—in terms of numbers, not much has happened yet in this regard. And the contents of education are also quite variable.

[Meyer] You know that the Conference of Ministers of Culture, Education, and Church Affairs in the Federal Republic has recognized the GDR "Abitur" school-leaving examination. This makes it possible for young people from the GDR to study in the Federal Republic. And we are prepared to enroll "Abitur" certificate-holders from the Federal Republic at our universities. In subjects which are heavily oversubscribed, we will naturally only be able to do so to the extent of fully utilizing the capacity and we shall need to issue a regulation. But, in principle, students will be enrolled here under the same conditions as are applicable to applicants from the GDR.

Naturally, there are some problems of content. Anyone who, say, studies history here will most likely have to deal with Marxists. Only that is a personal decision to be made by the student.

[Knuepffer] What will you do with the Marxism-Leninism institutes? They represent a large capacity in terms of research opportunities, and large quantities of money are available. Can this be simply switched over?

[Meyer] No, it is naturally not possible to simply switch it over, although some have attempted to do so. My position here is quite clear: the sections and institutes of Marxism-Leninism are dissolved. Based on this premise, I have dismissed the professors.

### 600 Dismissals

From my viewpoint, this means the following: If a university believes that it needs, for example, a social

sciences institute or an institute for political science, then it must apply for such an institute to the ministry, it must define the scope of the chairs, which will then be published in a regular nomination proceeding, and then anyone who has the scientific competence, including those former professors of the former institutes for Marxism-Leninism, can apply.

[Knuepffer] Marxism-Leninism claims to conceive of itself as the prerequisite for any objective engagement in science whatsoever. Certainly, there is a large number of historians, Germanists, or philosophers who were thus Marxistically motivated.

[Meyer] That is completely correct. It is also not our task to carry out an anti-Marxist campaign. The initiative is strictly constitutional. We believe, and this is a general consensus, that the world view of Marxism-Leninism should not be taught by the state at universities and professional schools. Whether individual scientists and professors understand themselves to be Marxists is a totally independent matter.

Naturally, even Marxists have the right to be scientifically active. One must differentiate between the constitutional approach and the fact that, naturally, the majority of university professors in the social sciences and the humanities are Marxists.

[Knuepffer] Do you have an overview as to how many early retirements there will be?

[Meyer] The process is still under way. The former sections of Marxism-Leninism will lose approximately 600 university professors.

[Knuepffer] I don't suppose it can be assumed that they will all be reintegrated into university establishments in a free academic competition?

[Meyer] No, a number of them will take advantage of early retirement. We want to make it possible for them to, so to speak, withdraw with dignity. And then there are two other possibilities: one tries again to be appointed to a professorship or a lectureship should the opportunity offer itself. Or one leaves the university and becomes active in another profession.

[Knuepffer] It is precisely the humanities which are, after all, a continuous dialogue....

[Meyer] That is exactly what was lacking here! This dialogue, which I also understand to mean the holding of different ideological positions, was prevented in our country by the policies prior to the turn of events and must be reintroduced.

[Knuepffer] This is the point I wanted to make: What will now happen to 40 years of GDR science? After all, a tradition was built up here.

[Meyer] I confess that I can do nothing with the concept of "GDR science." For me, there is only science in the GDR and it cannot be subject to any kind of blanket judgment.

#### Two Types of Distortions

There are two types of distortions in our country which should be carefully kept apart: 1. A distortion in quality, contingent upon a party-card economy which essentially always leads to a decline in quality. Quality must prevail and, for that purpose, there is academic competition. 2. We again need scientific and ideological plurality, which requires a consistent appointments policy in the all-German context.

[Knuepffer] What will become of the Leipzig "Johannes R. Becher" Literature Institute? I am thinking of the Keller case: at the very end, a faithful SED director was appointed.

[Meyer] You will understand if now I do not comment on specific personnel decisions. In general, I stick to the Schleiermacher dictum: the university proposes and the minister disposes. For his part, the minister cannot appoint any professors without a proposal by the university. I shall, whenever it is possible to do so, adhere to such a cooperative relationship with universities and professional schools.

If, on the other hand, there are gross abuses of the academic anatomy in order to maintain old power structures, I shall not hesitate to make full use of my ministerial authority in order to push for constitutionally acceptable conditions here.

[Knuepffer] You have publicly very clearly resisted any guilt-assigning fingerpointing from the West. Now, however, injustices were done in the GDR. Do you not have the feeling that this needs to be articulated more strongly?

[Meyer] The turn of events in the GDR was brought about by Germans in the GDR. If we speak of the mistakes made by others and also point the finger at them, this is first of all our own affair. However, when people, as happened recently, point fingers at people in the GDR and when I know that they would not have done so a year ago because, at that time, it was not elegant to do so in the Federal Republic, but that it is "in" today, then this will provoke a definite protest on my part.

#### Distribution Struggle

I resist energetically any across-the-board condemnations. But I would like to say the following clearly: If someone stands up today and gives global judgments regarding education and science in the GDR, then I have, as I see it, a not unjustified suspicion that what is involved here are positions in an upcoming all-German distribution struggle.

Let us be clear about one thing: substantial scientific potentials exist in the GDR. To acquire these, costs money. Money is tight in every society for education and science. I have a suspicion, with regard to some of these across-the-board criticisms, that efforts are being made to build up positions in order to have better starting positions in future distribution arguments involving financial means. I cannot deprive these people of their moral indignation. It is backed up by robust financial interests.

[Knuepffer] You have spoken of a value vacuum in the GDR and you were instrumental in making it possible for representatives of the churches to go to the schools for the first time. Do additional propositions in this respect exist?

[Meyer] There are many propositions. Both churches have made a proposal for an enormous adult education program for teachers during the spring break. There are very many efforts to utilize the auspicious nature of the hour and to take advantage of the readiness to talk, to answer questions where people are now prepared to pose questions. One always does too little, but the churches in the GDR have gathered all of their forces in order to help people in an existential crisis. All of this is difficult to plan. There are so many true exigencies of life.

It will be difficult for people in the Federal Republic to form true conceptions of the situation. Because it just is not as simple as saying that an illegitimate regime had established itself here and that the majority wanted nothing at all to do with it. The situation is such that this illegitimate regime laid claim to a great mental tradition and that this tradition, namely the effort to achieve a better society and a better world, was fascinating to a lot of people.

#### POLAND

##### Problems Foreseen in Strength of Catholic Church Influence

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pp 7-8

[Article by Zbigniew Mikolajko: "The Catholic Church in Poland"]

[Text] Polish Catholicism is facing severe internal tensions, even a crisis. This is not because Catholicism is weak in the social sense. All the research of the 1980's shows that more than 90 percent of all Poles consider themselves Catholics (official church statistics place the figure at 94.5 percent). But it is the very magnitude of Polish Catholicism which lies at the roots of many critical situations. Nonetheless, the issue cannot be boiled down to this magnitude alone.

The forced "meeting" with communism and its repressiveness have forced Polish Catholicism to remain outside the process of tremendous social changes: industrialization, urbanization, and the migration of millions from country to city and from East to West. In the face of these phenomena it took on the form of a popular or rural Catholicism, and also a Catholicism constructed within the realm of feudalism and the counterreformation of the 17th and 18th centuries. In this way, it became encumbered with a host of features typical of a small, closed, rural social group, in which all the roles, authority, and values were continually determined by "centuries-old" laws. Alongside the language, religion represented the only bond between such a group and the nation, and it was confirmed in the act of pilgrimage to the religious heart of Poland, to the Jasna Gora Madonna.

In popular Catholicism, religion and its related morality have a public character. There is hardly room here for intellectual spirituality, mysticism, speculative theology, the personal struggle with evil and sin. A person's interior religious world is replaced by standards imposed from outside, by collective custom. This is why the main things that count in Polish Catholicism are carrying out practices scrupulously and ritualism devoid of any more profound content, rather than the intimate living out of one's own faith and religious knowledge. The same goes for morality, the adherence to which stems from fear of sanctions from the surrounding milieu, rather than from internal acceptance of the principles of the Ten Commandments. So when there is the threat of such sanctions, for example, after moving from the village or small town into the anonymity of the reaches of a large city, a nearly total moral breakdown comes about. Therefore, if we are looking for the secret behind the gap between common practice in Polish Catholicism and the common break down in Christian moral standards, we can find it in the village or small-town origins of residents of the great cities and industrial regions, to say nothing of the tragic social "split personality" of the million-strong army of peasant workers.

Against the backdrop of a conservative, petty approach to religious practices linked to a selective adherence to ethical command and prohibitions, weak spirituality, and lack of catechetical familiarity with even the laws of faith, a "selective Catholicism" is created, turning two-thirds of Polish believers into "unconscious heretics," to use Fr. W. Piwowarski's term. To this we must add the clericalism of Polish Catholicism, that is, the clergy's domination of the church as the People of God. Ultimately then, as Fr. Piwowarski notes, we are dealing in Poland with two Catholicisms, as it were, the "ceremonial," national, "global" Catholicism expressed in mass practices and noisy participation in celebrations, and the negligible "everyday" Catholicism, which is so impoverished of spiritual or moral experience. Attempts to enrich our Catholicism spiritually through "horizontal" communal movements (the Charismatic Movement,

neocatechumenate, the oasis movement, and so on) were merely a transitory phase, peaking during martial law and right afterwards.

The Polish church did not go through the severity of the reforms of the Second Vatican Council encountered in the West either. Given the violent conflict with Gomulka's government, Cardinal Wyszyński was forced to be careful and slow in opening up to the changes. Most of the changes adopted were limited to liturgy and half-way compromise organizational measures, with only muted, restricted theological discussions.

At one time Catholicism was the only serious alternative to communism and the totalitarian state. On the one side it faced the necessity of fulfilling various "substitute" functions (symbol of national identity or protection for various political, social, and even economic freedoms), and on the other, it was a substitute for a world view, taking the "place" of philosophy, ideology, and politics. And it at least supplemented these spheres. People on the right sought their national identity in it. People of the leftist opposition (i.e. Michnik's outspoken book "Kosciol, lewica, dialog" [The Church, the Left, Dialogue]) appealed to Catholic social science. The road from solidarity to "Solidarity" seemed an easy one. The linking of faith with secular "substitute" functions became particularly strong under martial law. The song went: "create in us a miracle," and the miracle appeared, from the weeping cross in Slupsk to the Pulawa "Madonna on the door," from Lower Silesia to a little town in Mazowsze.

In postcommunist reality the "substitute" functions are bound to die out. This can be seen even now, despite the fact that most parties and political groups refer to their Catholic roots. But on the one hand, the church cannot identify with any political movement or ideology, even one which identifies itself as Christian democratic or Catholic, and, on the other, the rudimentary catechism faith of activists and their "folk" Catholicism are not enough as a political argument. It is worth starting from this side to look, for example, at the Sejm presentations of the Christian National Union's deputies, especially those of Deputy Marek Jurek, whose entire political rhetoric can be reduced to the "Polish Catholic" slogan of almost childish verses ("Only under the cross ..."), the tirades against "pornography" and the "leftist laity."

It is true, therefore, that the bond between the national right and Catholicism, which has always been strong in Poland, is being revitalized, but it cannot gain church support higher up than at the parish level at best, as Giertych's group did in All Saints Church in Warsaw. The model of the "Catholic nation" will after all not greatly expand within the Polish church, because it poses too great interference in the Polish church's contact with the West, suggesting the association of antisemitism in Poles which operates almost as a "reflex," (as shown in the zigzags surrounding the affair of the Carmelites at Oswiecim). On the other hand, it interferes with the Vatican's eastern policy, in which Poland appears

mainly as a deflection point vis-a-vis Russia. So if the number of prelates in the "Belweder compound" today is slowly beginning to be as great as the number of generals, and the president is happy to be seen at patriotic masses, maintaining the hierarchy's discrete support, the very elements of this "Ostpolitik" are visible here.

Insofar as "national Catholicism" is crying for political reality, despite the multiplication of political groups professing it, the model of "popular Catholicism" fixed in mass religious practices is bound to meet with resistance from secular society.

In Autumn 1989, barely one Pole in three responding to the questionnaire of LA VIE, the Catholic French weekly periodical, favored the clergy's participation in political life (compared to 84 percent of Russian and 49 percent of Hungarians). At the same time, polling by the Public Opinion Research Center showed that only 15 percent of those surveyed would permit the church to have a say in television programming, while 14 percent would permit it in the case of cinema and theatrical offerings. Profound tensions appear in connection with issues related to married life and sexual ethics. During the June election campaign, for example, public opinion turned

out to be equally divided over the abortion issue, with 44 percent in favor of abortion and 46 percent against it. Those most frequently in favor of abortion are residents of large cities, young women, members of the intelligentsia, and workers in large industry, while rural areas, seniors, chiefly women, are usually against it. Demands are also increasing for canon law to condone secular divorce. There will surely also be a crisis in the realm of religious practices. In the above-mentioned LA VIE survey, Poles were ten times as ready as Russians and five times as ready as Hungarians to say they believed that religious practices would decline under democracy. One may also anticipate a "crisis of pluralism" in Catholic thought, with its associated proliferation of "horizontal" grass-roots movements and structures. At any rate, the lifting of state censorship will expose the problem of church censorship, and the demise of any fear of a communist threat may open up the market of ideas to "suspect" theologians. In connection with "selective Catholicism" and "unconscious heresy," this may create a "thunderous mix" for Polish Catholicism and, at any rate, transform Poland into a new mission area, like France during the 1940's, despite external signs of a common allegiance to the world of Catholic values.

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